A FEARLESS·FORWARD LOOKING·FORTNIGHTLY

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FEARLESS - FORWARD LOOKING - FORTNIGHTLY

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THE OUTLOOK

Armed Neutrality—Munitions—Advance Orders—The Railroad —The General Market Prospect

THE definite stand taken by the President for the defense of our ocean trade, backed by all but a negligible handful of Congressmen and Senators, has had a distinctly encouraging effect both on investment markets and on general business conditions. Every one realizes that this is likely to result in war with Germany, and it is little matter whether that state of actual war is disguised under the phrase "armed neutrality" or not; but the general feeling is that Germany has so many pots to keep boiling at home that she will not be able to inflict much damage on us.

Sentiment in Germany is similar. The Teutonic authorities believe that the damage to them which may come from our attitude will necessarily be slight. They regard our capacity to make war with contempt, which, it is to be feared, is at least partly justified.

The Munitions Prospect

BRITAIN has not been placing munitions orders in this country for some time and the work now in progress for her here will be discontinued so far as contracts permit, at the end of March. Practically no shells or shrapnel will be made for England or France after that date. There is still some work going on for Russia, but that country is getting most of its munitions from Japan.

The cessation of work for Britain is chiefly due to the steady increase in her ability to make her own munitions. The little island has been turned into one big munition factory. But our iron, steel, copper and other raw materials will still be needed. Ship plates, especially, are more needed than ever, because of the greater destruction of shipping.

It is not unlikely that the attitude of the Federal Reserve Board in warning the banks against becoming involved too freely in unsecured foreign loans may have influenced England to limit her munitions purchases here. If further purchases could have been financed by short term credits on this side, the British Government's problem would certainly have been simplified.

The Board has recently issued another explanatory statement, which the public accepts as more favorable to foreign loans than the previous one, and foreign bonds at New York have responded by a moderate advance. As a matter of fact, the Board's original warning did not apply to foreign bonds in general, although investors gave it that interpretation, but was intended merely to emphasize the necessity of our banks keeping their loans in a fairly liquid condition. It would seem that there could be little doubt about the wisdom of the Board's original pronouncement, but it had a wider influence and was given a broader interpretation than the Board expected.

Munition orders for our own Government are to some extent taking the place of the British orders withdrawn. How great our own needs for munitions are to be, no one can now estimate, but our Government is at present proceeding on the theory that our actual part in the war will be small. If we should become deeply involved, our munition stocks might be rejuvenated, but as matters now stand the boom in those issues appears to be over.

Importance of Advance Orders

OTHER industrial corporations have in most cases "firm" orders so far ahead as to place a different aspect on general business conditions than has ever been seen in this country in peace times. For example, an inconspicuous news item tells us that General Electric's entire capacity for 1917 and 80 per cent. of its capacity for 1918 is booked ahead and that it is taking orders for turbines into 1919. None of this business consists of munitions, all of the company's $34,000,000 of war orders having been worked off.

Although such a condition of the order books is really startling, it attracts little attention because so many other companies are similarly situated. The output of our factories is sold ahead to such an extent that full activity is assured into 1918. And in many lines these orders have been placed at prices that assure big earnings in spite of high wages and high costs.

The average price of steel at $81 compares with $30.75 two years ago this month. At the wages and material costs then prevailing, the steel companies could make money on $30 steel; and even though costs have risen rapidly, the profit at current prices for the finished product is phenomenal. U. S. Steel common must earn nearly 100 per cent. for the two years 1916 and 1917. Republic common will apparently do nearly if not quite as well. Other steel companies and the standard copper companies are rolling up earnings so large that investors do not realize what they mean through sheer stupefaction.

Effect on Other Manufacturing

THE benefits of these phenomenal profits and this great activity in such important lines of production necessarily spread through other manufacturing companies. Take, for example, a company having so little connection with the war or the business directly resulting from the war as American Tobacco. Its 1916 earnings, in spite of the great increase in costs in all lines of tobacco manufacture, were 23 per cent. against 20 per cent. in 1915, and in January and February of this year its sales showed a further big increase over the corresponding months of 1916. Corn Products in 1916 earned 20 per cent. on its preferred stock against 10 per cent. in 1915. The Woolworth Company's January sales were 20½ per cent. greater than January, 1916. Railway Steel Spring, which has religiously abstained from war orders, earned 13 per cent. for its common in 1916 against 3 per cent. in 1915 and 8¾ per cent. in 1906, the best year it ever had before 1916.

These examples have been selected almost at random. They illustrate the way in which the prosperity which primarily results from war business, radiates into every other line of manufacturing.

The Railroad Stocks

AS yet the rails have shown little sympathy with the better tone which has been evident during the last two weeks in the steel, copper and most industrial issues. The reason is probably known to all our readers. While our general plane of prices for varied goods and products has risen 64 per cent. since June, 1914, railway rates have remained almost stationary.

The roads have benefitted from the much larger business to be hauled and from the higher efficiency which is best shown by the steady increase in the train-load, but they are now hauling all the business they can handle, so that further gains in that direction must be slight, while general prices keep on rising. Almost superhuman ability on the part of railroad managers is required to steer a course between rising costs and stationary rates.

The pending Supreme Court decision on the constitutionality of the Adamson Law is doubtless one factor that prevents activity in the railroad stocks. Yet regardless of the decision, the final settlement will probably be reached by negotiations between the railroads and the men. This is an opinion that we have repeatedly expressed, on the ground that Government interference could not change the essential nature of the problem to be solved; and the latest reports are that the Brotherhoods are preparing a new compromise offer to be submitted to the railroad managers. But doubtless the men are legitimately entitled to and will receive increased wages in some form.

In some railroad stocks, however, there are evidences of investment accumulation. St. Paul, for example, recently sold at 78½, against an extreme low of 77¾ in 1915, when the dividend was reduced, and a low of 84 in the 1914 war panic. Investors who look a long way ahead have been taking advantage of these prices. There has been some good buying of New York Central, based on the greatly improved outlook for the road when viewed over a period of years.

Our great railroad systems are absolutely essential to the country's business and they must and will be permitted to earn reasonable profits; otherwise it will be impossible for them to obtain new capital for the extensions and improvements demanded by the growth of the country. The situation may be slow in working out but it must do so in time.

The Market Prospect

THE technical position of the market is now quite different from that of last December. Brokerage houses were then carrying unprecedented loans—in many cases twice as great as ever before. Now their loans have been cut down below what would be considered normal for present market conditions. Margin holdings have been much reduced. Where the public was running away with the market last fall, outsiders are now timid about buying.

The average of 50 leading stocks, which reached 102 in the latter part of November, declined to 77 early in February and at this writing is about six points up from the bottom. This is a recovery of less than one-fourth of the decline. In the meantime, the earnings of most industrial companies are even better than in November, and in many cases are so big that their significance is practically lost on the investor.

To summarize:

The copper and steel stocks appear to offer the best speculative opportunities while many industrials also show signs of joining in the upward movement which has already started. Some accumulation of the best railroad stocks seems to foreshadow somewhat higher prices eventually. Investments made with a view to their profit possibilities should carry provision for limiting risk in case of a sudden reversal in the situation.

—March 12, 1917.

If We Go To War?

Will Hostilities with Germany Inflate or Depress Securities?—Profits Which Commandeered Companies Might Expect to Make—The Fallacy of a Comparison with Japan and Canada

By FRANK E. SEIDMAN, M.C.S., C.P.A.

(The question as to what may be expected to happen in the securities markets in the event of war with Germany is perhaps the most important before the financial world today. Mr Seidman, whose article we print herewith, takes the stand that hostilities would not mean a "war boom." His opinion probably does not coincide with the majority of financial observers, but Mr. Seidman is a careful and able financial writer whose views, representing as they do one side of a much debated question, we believe are entitled to careful consideration. In a later issue we may publish an article by another equally as good an authority who takes the opposite viewpoint in the matter—Editor.)

BUSINESS conditions and security markets have been very retardant in the past few weeks, because of the many obscurities of the future.

The question in which all bankers, business men, stockholders, etc., are very vitally interested is what will be the effect, economically and financially on this country should actual war break out or at least a declaration of war be issued by Germany or the United States.

Since the announcement of the ruthless submarine campaign by Germany, the possibility of the United States actually entering into the war has become another element to be taken into consideration in deciding the possible future events in business, financial and economic conditions. As time goes on, it seems that we are gradually drifting into the conflict; in fact, we are probably now in a state of war without calling it such. The arming of merchant ships and the other protective measures that the Government is taking, are war measures, pure and simple.

Financial Effect on Other Belligerent Countries

We have heard considerable lately that in such an event a secondary war boom in business and security markets would result. This expectation is usually based on the fact that Japan and Canada have experienced tremendous prosperity as participants in the conflict, and we, as a nation, will be in the same position as Japan and Canada in the event of our entering the war.

In the writer's opinion, a comparison between this country and any other country, whether participating in the war or not, cannot very well be drawn under existing conditions. Economic and financial changes have been so rapid in individual countries in the past two years, that the fundamental economic laws cannot be given a general application. Because of the disruption of international trade, some countries have received large benefits from the war, whereas others have suffered materially, due entirely either to geographical location, production, capacity, etc. In order to study the effect, therefore, of the vast economic changes which a country might undergo in changing from a peace to a war stage, it is necessary to study individual, rather than general conditions. It is therefore not enough to say that because Japan and Canada are enjoying unusual prosperity, which resulted in a war boom in industrial stocks, that this country will enjoy another war boom.

Canada and Japan

It must be remembered that we have already experienced a war boom considerably greater than either Canada or Japan. In fact, in the past two years we have been almost in the same position as these two countries. We have received war orders and have had an unusual demand upon our raw materials, food and other products because of the

extraordinary happenings on the other side. Both Japan and Canada have undoubtedly received considerable impetus to their industries, not because of their participation in the war, but because of their power to supply materials that are needed for war purposes.

Preparedness as a Stimulus to War Industries

There undoubtedly will at least be one result from such a declaration of war, and that is that the preparedness program which is at present being only mildly prosecuted, will probably receive great impetus. Even if we do not participate actively in the war, we will probably have to some extent, the same results as if we were actually in the conflict, i. e., large governmental expenditures for war material; the training of a large army; the changes of industrial plants to war plants, etc. It is upon this factor that a good many have been expecting the war boom. It is argued that the many millions that will have to be spent by the Government for preparedness, irrespective of whether or not we actually go to war, will result in large profits to most of our industrial companies. Let us analyze the possibilities in this event.

True enough, when one tries to arrive at what will happen, on the basis of what did happen in Canada and Japan, a war boom should be expected. It must be remembered, however, that conditions in this country at present are vastly different from those at the beginning of the present war. The industries of Japan, Canada and this country were in a general state of depression in 1914. The stimulus at that time, therefore, of the war demand upon the industries of these countries resulted in putting idle men and capacity to use and thus a direct financial benefit resulted. This country, however, at present is in a vastly different position. Our entire industrial machinery is working at top-notch capacity and it is difficult to see how our plants can produce more than they are producing at present. So that any additional demand on our industries by our Government would simply result in the crowding out of foreign or private orders. The net result therefore to our manufacturers would be the possession of United States Government orders instead of English or other foreign orders.

Government Regulation of Profits

Good judgment demands that if war comes to this country the manufacturers must quote prices to our Government that are not based on the expectation that the company should show profits comparable to those received at present. In fact, from the commandeering bills passed by the last Congress and from the offers made by the heads of various large industries, it seems probable that in the case of our entering the war, the profits of the American manufacturers on orders taken from the United States Government would be very small, if anything at all. Under the commandeering act, the president is empowered to take over any plant that can be of use to the Government in the event of war, and pay a normal price or a normal profit on the production of the plant. So that, although plants will probably not be confiscated promiscuously, they will unquestionably be held down to cost, plus a moderate percentage of profit.

The fact is that any further stimulus to our industries which is bound to be the effect of an aggressive preparedness campaign, would act more as a detriment than a benefit. For instance, the labor question, already so serious as to make it extremely difficult for many concerns to show a profit on business booked a year ago, would be intensified. Enlistments would naturally withdraw a large number of men from useful pursuits and as a result labor would become more scarce than even at present.

Food stuffs and other necessities selling now at war prices would unquestionably advance still further if provision had to be made for a large army. The shortage of coal, due to an insufficient force of men working in the mines, and the congested railroads, would become more acute, leading to higher manufacturing costs.

Government Borrowing

The entrance of our Government into the borrowing field would be another drawback in our industrial activities. Unquestionably the borrowing of large amounts (estimated at anywhere between $500,000,000 and $1,000,000,000 to begin with), coming on top of enormous foreign loans just consummated on this side, will probably cause higher interest rates and a consequent tightening of money for purposes of speculation as well as investment. This also would be detrimental to our security markets.

War is a stimulant to business in slack times. It consumes surplus products and utilizes a floating supply of labor. There is no slack anywhere now in the country. There is less than a normal supply of materials and labor on hand for our own use. A declaration of war under such conditions, in the writer's opinion, cannot add to the value of securities.

It must not be understood that the writer expects a serious decline from present levels in case of a declaration of war. The fact is that current prices of a good many of our substantial securities on the Stock Exchanges are at present selling on a basis which their financial position and their *normal* earning power justifies. The point that is desired to be made here is not that there will be a depression in values because of our entrance into war, but that there should not be any aggressive stock boom because of such an event.

Stocks Affected in Case of Commandeering

In connection with the commandeering proposals referred to above, which empower the Government to requisition or take over shipping concerns and numerous classes of plants for use or operation by the Government in the event of war, the following list of stocks that may possibly be affected by the act actually becoming operative [which has been compiled by one of the New York statistical organizations] is interesting:

EXPLOSIVES

Aetna Explosives Co.
Atlas Powder Co.
E. I. du Pont De Nemours & Co.
Hercules Powder Co.

STEAMSHIP COMPANIES

Atlantic, Gulf & West Indies
International Mercantile Marine
Pacific Mail Steamship Co
United States S.S. Co

SHIP BUILDING

American Shipbuilding
Wm. Cramp & Sons S. & E. B. Co.
Lake Torpedo Boat Co.
Submarine Boat Corp.

STEEL

Bethlehem Steel Corp.
Carbon Steel Co.
Colorado Fuel & Iron Co.
Crucible Steel Co. of America
Eastern Steel Co.
Empire Steel & Iron Co.
Gulf States Steel Co.
Lackawanna Steel Co.
Midvale Steel & Ordnance Co.
Pittsburgh Steel Co.
Republic Iron & Steel Co.
Sloss-Sheffield Steel & Iron Co.
U. S. Steel Corpn.
Virginia Iron, Coal & Coke Co.

RAILROAD EQUIPMENT

American Car & Fdry. Co.
American Locomotive Co.
Baldwin Locomotive Co.
Haskell-Barker Car Co.
N. Y. Air Brake Co.
Pressed Steel Car Co.
Railway Steel Springs Co.
Westinghouse Air Brake Co.

ELECTRICAL EQUIPMENT, PUMPS, MACHINERY ETC.

Allis-Chalmers Mfg. Co.
Babcock-Wilcox Co.
Baltimore Tube Co.
Central Fdry. Co.
Chicago Pneumatic Tool Co.
Crocker-Wheeler Co.
General Electric Co.
Ingersoll-Rand Co.
Niles-Bement-Pond Co.
Western Electric Co.
Westinghouse E. & M. Co.
Worthington Pump & Machy. Corp.

ORDNANCE

E. W. Bliss Co.
Colt Patent Firearms Mfg. Co.
Driggs-Seabury Co.
E. I. du Pont de Nemours Co.
Hopkins & Allen Arms Co.
Winchester Repeating Arms Co.

It will probably be good policy for conservative investors not to make any commitments in securities of this nature that are apt to be severely affected by the operation of this act.

Strong Position of the Coppers

1917 Production and Earnings' Outlook—Conservative Dividend Bases Maintained—What Peace or Continuation of War Would Mean

By WALTER McNAUGHTON

WITH the third quarter metal selling between 32½ cents and 33 cents, with the small supply of spot metal going at 37 cents or a shade better, and with the producing companies practically equalling in their current output the sustained average per month of 1916, despite severe cold and labor shortage, all indications certainly point to another record year of production and probably price. While, of course, it cannot be anything but mere guess work to establish at this time an average selling price for the metal in the current year, it is, nevertheless, interesting to note some of the guesses that have been made in the last few days when the January output of some of the producing companies was announced.

These guesses range all the way from below last year's average price, which is accepted as having been somewhere between 26½ cents and 27 cents, to 34 cents. This outside guess, of course, will appeal as preposterous to most of those who are identified with the copper producing and manufacturing industry, but it is within the realm of possibility. It was war that created the tremendous demand which resulted in a production of approximately 2,250,000,000 pounds of copper in the United States in 1916, an output which was greater than that which the entire world recorded prior to the war, and it is the continuation of that war, but hardly any other factor, that will cause that huge production to be maintained or exceeded and that will slip the year's average price into the 30 cent notch or one still higher. And who shall say that the war will continue another year and be not every whit as reasonable as the one who says that the war will not continue another three-month?

If the war were to cease before the conclusion of the half-year, an entirely new set of guesses will have to be made as to production, price and demand. It has been figured out by an expert in the economy of copper that when the war is over, a quantity of copper somewhere between 100,000,000 pounds and 150,000,000 pounds per month, and representing war's compulsion, will be released and that if it is so released it will certainly create pressure on the market. But modifying that again, there will be some demand from continental Europe and Great Britain in connection with reconstruction work until the outputting properties of these countries has been restored to pre-war capacity, and this demand most likely will be supplied out of the quantity released by the cessation of war's demands. The balance, it is conceivable, will go to Germany, this country's best copper customer, and to her sister, Austria.

Concurrently, it is believed, it will be found that the producing industry will be going through a period of readjustments to meet the less urgent demands for the metal in peace times and this again will be a factor that will tend to keep orderly the process of price adjustment.

Except that a continuation of the war abroad, with the United States possibly drawn into active participation in it, will mean a higher average price than obtained last year, and that the early cessation of the war will mean adjustments all around with the average price settling down somewhere below last year's average, it would be quite impossible to figure out at this time any figure that should fairly approximate the average price copper will sell at this year. With this in view, there has been prepared and included herewith a tabulation that will give a fair idea of how some of the leading copper producing companies will fare in the current year with copper

ranging from 18 cents a pound to 32 cents a pound.

In view of the rate at which these producing companies are currently turning out the metal, and in view of the demand coming into view for copper on fourth-quarter bidding together with the prospects favoring a continuation of war till Fall, it did not seem unreasonable to estimate the 1917 production of these companies at between 8% and 10% ahead of 1916 production, wherefore the estimates of production as shown in the tabulation have been made on that basis. The cost of production per pound was taken arbitrarily at last year's figures, since those figures included higher costs of materials and labor and, in some instances, reflected the additional cost of labor troubles. The estimated earnings per share are based on the total number of shares respectively outstanding for each company.

In the case of Kennecott, it should be explained, perhaps, that the estimate of production includes the equities in Braden, Utah Copper and Nevada Consolidated, as well as the other various holdings. Allowance was also made for the relatively low cost of Kennecott's Alaska production and the higher, nearer-the-average, general cost of production of Braden.

In view of the fact that the propitious present times are not going to endure indefinitely and that lean years are ahead and will have to be weathered, managements will probably be found to be leaning well over toward the conservative side as the year progresses.

Official figures on copper production for January show that despite a somewhat more aggravated shortage of labor and somewhat more severe weather conditions, the total of representative companies was well up towards December output. Utah Copper produced 13,918,911 pounds, compared with 13,976,533 pounds in December; Chino produced 6,452,154 pounds, against 6,750,916 in December; Ray Consolidated turned out 7,767,663 pounds, against 7,838,132 pounds in December; Nevada Consolidated, 6,279,432 pounds, against 7,174,415 pounds.

The records of Anaconda American

SOME COPPER PRODUCERS IN 1917

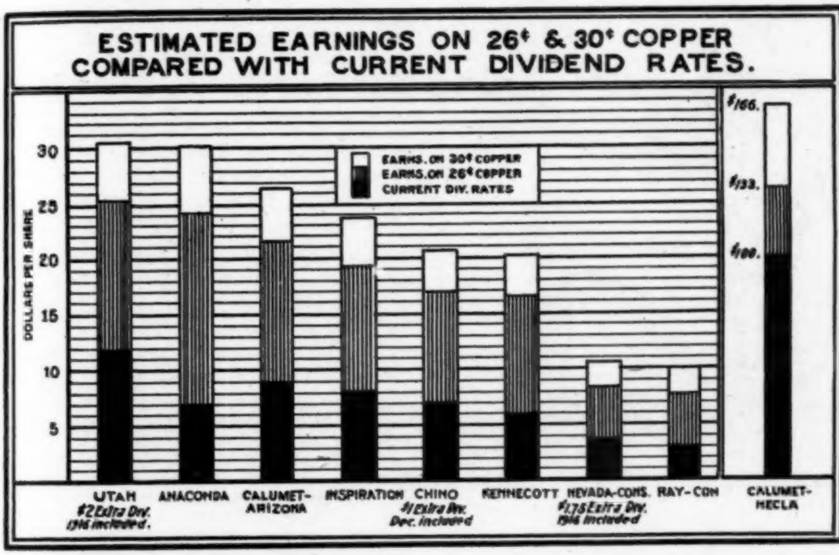
Company	Estimated 1917 Production	Est. Aver. Cost per lb.	Estimated Earnings per Share with Copper at— 32 cts.	30 cts.	28 cts.	26 cts.	24 cts.	22 cts.	20 cts.	18 cts.
Anaconda	353,000,000 lbs.	10 cts.	$33.31	$30.27	$27.23	$24.19	$21.15	$18.11	$15.07	$12.03
Calumet & Hecla	83,000,000 "	10 "	182.60	166.00	149.00	132.80	116.20	99.60	83.00	66.40
Calumet & Arizona	77,000,000 "	8 "	28.80	26.42	24.04	21.66	19.28	16.90	14.52	12.14
Chino	82,000,000 "	8 "	22.62	20.74	18.86	16.98	15.10	13.22	11.34	9.41
Inspiration	134,000,000 "	8½ "	26.06	23.80	21.54	19.28	17.02	14.76	12.50	10.24
Kennecott*	253,000,000 "	8 "	21.79	30.17	18.35	16.53	14.71	13.89	12.07	10.25
Nevada Cons.	99,000,000 "	9 "	11.38	10.40	9.42	8.44	7.46	6.48	5.50	4.52
Ray Cons.	85,000,000 "	10 "	11.09	10.00	8.91	7.82	6.73	5.64	4.55	3.46
Utah	216,000,000 "	7 "	33.25	30.61	27.97	25.33	22.69	20.05	17.41	14.77

*Not including Braden production.

Smelting & Refining, Miami and other prominent companies is understood to be as good, if not better, than the returns of the above group of "porphyries." In some quarters of the industry, the estimate is made that about 2½ billion pounds of copper will be prepared for the 1917 market, this estimate being based partly on the additions made and under way to existing refining facilities. Exports of copper last year took about 733,000,000 pounds out of the country and domestic consumption accounted for 1,585,429,666 pounds, making an aggregate of 2,318,429,666 pounds.

will amount to at least 833,000,000 pounds, making a total to be produced for the year for domestic and foreign consumption of 2,318,429,000 pounds, or about 81,000,000 pounds less than the estimated refinery output. This estimated excess, if it came about, would make a neat little addition to stocks, but it may not materialize, either because of accelerated demand or a certain curtailment in production brought about by labor troubles or railroad embargoes.

To conclude briefly, judging from present premises, the outlook for the copper industry in this country for 1917 is



As all of the copper for delivery before July has been sold or reported sold, it may be assumed that domestic buyers have already contracted for 752,000,000 pounds, as the allied order last September arranged for 448,000,000 pounds to be exported. Therefore 1,200,000,000 pounds of 1917 output may be regarded as accounted for. If the needs of the Allies this year are as great as last, then 258,000,000 pounds will be taken in the second half of the year for export. If domestic buying for second half delivery equals that for 1916, and third-quarter selling indicates that it will, purchases

as promising as was the 1916 outlook; the duration of the war is no more a doubtful entity than it was at this same time last year and the situation is as replete with difficulties of a minor nature as the corresponding 1916 situation was. In a word, the copper companies in 1917 should fare as well as they did in 1916, if not a little better, and just how secure their position is with regard to earnings and dividends, it might be added that most of the companies could meet their dividend obligations under current conditions even if copper sold on as low an average price for the year as 15 cents a pound.

MONEY--BANKING--BUSINESS

Leading Opinions

About Financial, Investment and Business Conditions

"The Modern Business Problem"—J. O. Armour

In the March issue of *System* J. Ogden Armour, president of Armour & Co., tells of "Some Lessons Learned in Selling $525,000,000 a Year." He analyzes the problems of big business and tells what the great organization of

—*Financial America.*
CINCINNATUS.

which he is the head has done towards meeting them. He says, in part:

"Concretely stated, the modern business problem is this: How can you make a fair total profit without increasing prices when the cost of raw material and of selling—when the costs of doing business—are constantly rising?

"That is the problem of big business, and it is the problem of small business. The small dealer says: 'I can not sell this article at anywhere near the old price and still have a profit, but if I raise the price by adding my normal profit, my people will not buy. I am up against doing business without a profit or doing no business at all.' Multiply the factors in the small dealer's business by the requisite number and you have the big dealer's problem.

"What Armour & Co. have done to meet this situation is what every business, great or small, will eventually have to do. We have increased our rate of turnover and have utilized every possible avenue so that now our base products—those upon which the business was founded—are, if considered alone, handled at an actual loss.

"The policy of a rapid rate of turnover, and consequently of carrying small stocks, is not one to be too quickly adopted throughout all business. Business is not quite ready for it. If dealers everywhere were to order as they do with us, the plants of many maufacturers would need revamping as would also their methods. Most manufacturers are not equipped for the furnishing of small and constant supplies at instant demand, but now I notice that some factories are adopting a policy of stocks at convenient points of distribution to the local trade. Again, few organizations are at the point where they can conduct business on very narrow margins of profit."

Another R. R. Crisis Near

In the heat and excitement of the international crisis members of Congress have not taken the time to give that thought to the railroad problem which it demands, writes the Washington correspondent of *The Journal of Commerce.*

In some quarters it is believed that despite the very high income returns reported by our railroads during the past two years, these transportation systems are not in that sound financial condition which they merit, and that the railroad problem promises to be not the least of the important matters with which the Federal Government will be forced to deal sooner or later. As a matter of fact, the very heavy freight movement which has been forced upon the railroads, has compelled them to use all of their available rolling stock to such an extent as to make extraordinary wear and tear upon the property. Unless financial support is attained, the roads will find themselves in an even worse condition after this spurt of prosperity is over than before it came upon them. It will find them with a deteriorated rather than replenished rolling stock with little encouragement to investors to lend their support.

"American Marine Needs"—G. J. Baldwin

Modification of existing laws, specialized education, a broader investing interest and the support of the Government are needed to make permanent the

revival of the American merchant marine, says George J. Baldwin, president of the Pacific Mail Steamship Company, writing in *The Americas.* Mr. Baldwin points out briefly the factors which gave this country its early supremacy on the sea and the transfer of power to Great Britain.

"No country produces steel, coal, copper and all of the various raw products entering into the manufacture of vessels more cheaply than we do. Our machine shops and technical industries have grown tremendously, our skill today in the manufacture of machine tools and other labor-saving machines, surpasses that of any other nation, and our inventive capacity ranks equally high. We are generously equipped, ready to begin our struggle for our place upon the ocean. The volume of our foreign trade, already immense, is growing, and will continue to do so. It is imperative that we find means of transporting our goods in our own vessels, and not in vessels owned and operated by our competitors."

$60,000,000 Tax on Wall Street

The income tax to be collected this year from the Second Internal Revenue District of New York State, the bulk of which will be furnished by Wall Street's financial and industrial corporations and its wealthy individuals will reach the record mark of $66,000,000, according to an estimate made by Collector John Z. Lowe, Jr. Last year the district's tax was $23,951,083.58; in 1914 it was $13,838,812.66. This district is the richest in the country.

He also made public the following comparative statement of collections in his district:

	1916	Estimate 1917
Income tax—		
Corporation	$9,240,858.23	$26,000,000
Individual	14,710,225.35	40,000,000
Total	$23,951,083.58	$66,000,000
Ordinary—		
*Regular	1,831,932.60	3,000,000
Special tax	266,909.13	250,000
Tax paid spirits	864,078.46	1,000,000
†Doc., prop., & wines	10,855,060.81	3,000,000
All other collections	4,706,868.75	4,750,000
Total ord. col'tions	$18,524,649.75	$12,000,000
Total collections	$42,475,733.33	$78,000,000

*Includes capital stock, munitions, and legacy taxes enacted by Act of Sept. 8, 1916.

†Repealed by Act of Sept. 8, 1916, although those of the tax provisions thereof other than documentary and proprietary stamps are continued thereafter as special taxes.

"Banking Solidarity at Stake"—E. C. McDougal

"The solidarity of the banking system of New York is at stake," declared E. C. McDougal, president of the Association of the State Banks of the State of New York, recently when he addressed a meeting of Group No. III here.

"Should our strong State banking system fall, how can any other State system hope to stand?" asked Mr. McDougal.

—Chicago *Daily News.*
LONG DISTANCE—EUROPE ON THE PHONE.

"It must be perfectly plain to anyone who is not wilfully blind that it is the intention of the Federal Reserve Board to force into the Federal reserve system all State institutions," continued Mr. McDougal.

"The Federal Reserve Board says that such institutions will be received into the system on very favorable terms, and that they will be allowed to remain, each under the supervision of its own State banking department. Probably such an arrangement could not long continue. There would be conflict of authority and discord between the authorities of the United States and the authorities of the State of New York. While no man can prophesy exactly what would happen, the probability is that the powers of the Federal Reserve Board gradually would encroach upon the powers of the State Banking Department, until the powers of the latter were practically extinguished, while the State banks, members of the Federal Reserve Association, looked helplessly on."

After-the-War Prospects

Economists still discuss, with varying degrees of pessimism or optimism, the condition of trade and general finance in this country, as well as in Europe, after the war. A notable recent expression of views came from Mr. F. C. Schwedtman of the National City Bank of New York, who contended for an optimistic outlook.

"What has been known as the 'war after the war,' he declares, will be 'not so much an

economic war between countries as a war within countries themselves against waste, extravagance, obsolete methods, class prejudices, and economic ignorance." A war of that kind will be waged in every country, our own included, the objects against which it will be directed being outworn educational theories, waste in the most precious of national resources, which is men and women, against waste in distribution, national and individual extravagance, and neglect of the farm. In this country the loss will not be in mere money, of which we have not been drained, but in things far more valuable than money, such as cattle, hides, wool, steel, oil, copper, and other kinds of our real national wealth. Mr. Schwedtman declared that the cattle now available for food in this country amount to 20 per cent. fewer

—Chicago *Daily News.*
MORE WATCHFUL WAITING.

than they were in 1907, and that the number of sheep has declined 10 per cent. Meanwhile, the population has increased 18 per cent. We can not blind ourselves to the fact that we have and shall continue for some time to have, less food, less shelter, and less protection from the cold than we had before the war.

"American Wealth Backs Britain"—H. Withers

"If America with all her treasure of gold comes into the war against Germany she will be of incalculable help to her allies, regardless of anything she may do as a fighting force. If she stays out, as now, with broken relations with Germany, she will be an equally potent support to us. America's wealth and financial aid mean everything to the Allies."

That was the opinion expressed by Hartley Withers, the financial expert who succeeded Sir George Paish as editor of *The Economist,* in reply to a question as to what part America was likely to play from the financial viewpoint in the near future in the world's war. Mr. Withers, who has traveled extensively in America, did not hesitate to say that American sympathy, turned into golden support, would assure driving the war to a victorious end for the Allies. With America out of the struggle, the Allies, could in any event depend on appreciable financial aid until the end, but there would always be the grave problem of adjusting international finances. What was needed to push the war to a successful conclusion was money, and that America had as the richest nation in the world.

General Trade Unchecked

Business in the United States is going forward despite the war clouds and the uncertainty of future conditions, according to experts' business reviews.

"A certain hesitation in business, with shrinkage in volume, is natural at this season, and there is now all the more reason for it because of the present disturbing elements," says R. G. Dunn & Co.'s *Review.* "Yet the volume of transactions is greater than usual at this period and the position of commerce and industry remains remarkably strong, notwithstanding the foreign complications, transportation delays and doubts about future supplies and prices."

Bradstreet's says: "While neither trade nor industry has lost ground, the situation is marked by restraining influences, some obviously of a temporary character but with others indicating a clear disposition to count steps before making fresh starts. High prices rather than immediate concern about our international political relations tend to produce evidences of conservatism."

Failures of the week, as reported to R. G. Dun & Co., were 255, compared with 337 last week, 267 the preceding week and 377 the corresponding week last year. Eighty-eight were in the East, 69 South, 67 West and 31 Pacific States.

Metals' Prospects

Conditions in the metal markets are very complex, says the *Engineering and Mining Journal.* We can see what they are, but the confusion makes forecasting difficult. What seemed certain about the beginning of January was upset by the unforeseen political and industrial events of February.

In copper the governing condition is the check to production owing to labor difficulties in January, delay in bringing in raw material in February and the strain on plant generally. Demand keeps up, and the only hope for early relief is increased production.

Probably 99% of the expected production of this country up to July 1 is sold to ultimate consumers, including in this category the allied governments. Therefore, the only chances for business for delivery from March to July are:

1. Resale of copper by consumers who have overbought. In the latter half of December and the first half of January such reselling

and readjusting was going on, but now it is probably completed.

2. The possibility that some of the producers will make a little larger production than they were justified in estimating and will be able to put that metal on the market. The chances for this seem now rather slim, for owing to the refinery and transportation troubles, producers have probably oversold rather than undersold.

3. The possibility of the release for sale in this country of some of the tonnage contracted for by the Allies.

To Restrict War Profits

Realizing that if this country enters into war with Germany that the United States will have to make hurried preparations and that in the past exorbitant prices have been charged for all sorts of supplies, members of the New York State Chamber of Commerce passed a resolution pledging the support of business men here to supply all services, commodities and inventions required by the Government "at prices which will yield a profit no greater than would be received in similar transactions with private customers."

Former Commissioner of Docks and Ferries Calvin Tomkins said that plans should be made to arrange for mobilizing the industrial forces of this country in the event of war. He pointed out that one lesson the European conflict had taught the people of this country was the vital need of being prepared from the industrial standpoint as well as the military.

Unprofitable War Contracts

Facts are slowly coming to light to show that the early promises of large profits from our war-contracts will by no means be fully realized. A large factor has been the rising cost of labor and material of which small note was taken when the contracts were placed, says the *Literary Digest*.

One contracting firm, engaged in the manufacture of explosives, has actually been brought to "a crisis" because of its hasty embarkation in war munitions "without sufficient capital resources, with disregard of the future condition of labor and of the costs of raw material," the consequence being that the promises of big profits either have disappeared completely or have become extremely small. One of the largest of all concerns engaged in making munitions and which was believed to be making as much as $300 annually a share for its shareholders recently was compelled to sell $50,000,000 in notes in order to carry its work along until its contracts were completed. Another company, from which great returns were expected, has thus far reported no earnings at all from its war contracts. Several others, which have received large contracts and have been paid enormous sums in the bonds of foreign countries, are well known in financial circles to have had their cash bank balances decreased while their paper obligations have increased.

U. S. Supplies 50% of World's Coal

The announcement that the Government has assumed charge of the coal mines of Great Britain, and will control production and exportation, leaves the United States the only important coal-producing country, able to supply coal free from Government control. A compilation by the National City Bank of the world's coal production and distribution made recently, showed that the chief coal production outside of the United States occurred in the countries now at war.

—Cleveland *Plain Dealer*.
"WHOSE MOVE?"

Of the 1,500,000,000 tons of coal produced in the world in late normal years, practically 38 per cent. is the product of the United States, 21 per cent. that of Great Britain, 20 per cent., Germany, while Austria-Hungary, France, Russia, Italy, Belgium and Japan in combination produced another 12 per cent. The United States produced in 1913, the year immediately preceding the war, 570,000,000 short tons; Great Britain, 322,000,000; Germany, 306,000,000; Austria-Hungary, 60,000,000; France, 45,000,000; Russia, 37,000,000; Belgium, 25,000,000; Japan, 24,000,000; India, 22,000,000; China, 20,000,000; and Australia, 15,000,000 tons.

The production in the United States in 1914 was 513,000,000 tons; in 1915, 517,000,000, and for 1916 is estimated by the *Coal Trade Journal* at 608,000,000 tons, making for 1916 the largest output in the history of coal mining in the United States.

With the Financial Watcher

The National City Bank of Chicago.—Interruption of business by traffic conditions has come to be almost as disturbing a factor in western trade as the hesitation incident to the international complications. Probably 80,000,000 bushels of grain have been held up in elevators and in cars as a consequence of the embargoes adopted by Western and Eastern roads. These conditions have been largely responsible for high fuel prices in this section of the country. Freight congestion has been in some respects more severe this year than ever before. It has come as a serious drawback at a time when business was heavy, food prices high and busy factories were hampered by an inadequate coal supply. The railroads could advantageously spend large sums for new equipment alone, if the manufacturers could turn out the rolling stock and the companies were able to finance the expenditures.

J. S. Bache & Co.—Spring is in the offing. Spring will bring with it renewed activities, which mean in the present situation increased profits. It will bring decline in car shortage and easing of congestion. It will diminish the coal bill, letting out more money to spend generally. Moderate buying has started in the market, which is in strong technical position. Stocks as a rule are cheap and are securely held. It will take more than an actual declaration of war to make them decline. One or more or a series of retaliatory catastrophes, unusually shocking, might produce a temporary break. The recent quick upturn has paused. It was based on the steel and copper outlook, and shares pertaining to those metals have still the probabilities of great earnings in the future to induce higher prices for them eventually. Of them all, Steel common seems still to be the most attractive. Sharp advances continue in both iron and steel markets, which are strengthened, if possible, by impendency of Government purchases on a large scale. Advance in steel prices now is pretty nearly all added profit for such companies as the United States Steel Corporation.

General business shows determined activity, notwithstanding shortage of material, shockingly high prices, congestion of freight cars and a percentage of retarded exports. In spite of the menacing international situation, the business mind of the country seems charged with conservative confidence.

Keane, Zayas & Potts.—In 1916 our foreign trade totaled in round numbers $8,000,000,000, or more than $666,000,000 a month. More than $5,000,000,000 of this was with European countries. Before submarine frightfulness was resumed, 1917 gave promise of a new high record in foreign trade, as in January alone we exported $613,000,000 worth of merchandise, with imports in the same period amounting to about $274,000,000. February, however, recorded a severe curtailment both of exports and imports, and our foreign trade for the month is barely half the amount of our exports alone in January. Comparatively few cargo ships have left our ports for Europe or arrived here from European ports since February 1, the date set for resumption of submarine frightfulness. To all intents and purposes our ports have been blockaded and our foreign commerce suddenly cut down to less than pre-war dimensions.

Moore, Leonard & Lynch.—United States Steel's annual report is due to be issued shortly. The corporation's 1916 earnings are known, but the annual report will be of interest, as it will show its financial condition. Working capital is now not far from $500,000,000, which is within $100,000,000 of the total bonded debt. Republic Iron & Steel is relatively in just as good shape with $19,700,000 working capital, of which $9,600,000 is cash.

Attractive as many of these copper and steel stocks look, we do not believe it wise to climb for stocks at the moment. There is likely at any time to be a declaration of war with Germany, and in view of the advance stocks have had, it is quite possible that this would be the cause of a substantial reaction. Buying orders put in somewhat under the market are quite likely to be executed.

The railroads have not yet joined in the upward move and several look very attractive at present levels. Atchison is in a position to increase its dividend at any time. Southern Railway preferred appears to be selling under its intrinsic worth.

Hayden, Stone & Co.—The first feature that confronts anyone investigating the situation is that earnings today are much greater, in proportion to prices, than ever before. We have seen what we thought were large earnings, but there has never been a time when many of the most substantial corporations in this country were actually earning at the rate of one-third to one-half of what their stocks are selling for.

Clearly, then, if a material decline were to ensue from either alternative, it must be because our entrance into the war or early peace would so entirely disarrange economic conditions as to lead to a most drastic reduction of earnings. That peace will, eventually, mean a much reduced scale of earnings is almost axiomatic. Some day there must come a reckoning for the destruction of capital and the tremendous loss of production that has been going on for the last two and one-half years. Yet before this can possibly come, there will have accumulated so much greater earnings that, deducting these from prices, would seem to leave comparatively little to fear. On the other hand, our entrance into the war would add so much to the demand that already exists.

The Dollar's Future

Its Rise to High Place in World Finance—Will It Maintain Its Position—What Must Be Done to Firmly Establish Dollar Exchange

By SIEGFRIED STRAUSS

THE first of August, 1914, saw all the Stock Exchanges closed down and international financial operations at a standstill. Shortly afterwards Europe called upon the United States to pay its debts, and as the United States were unprepared to meet such a sudden demand, the currencies for the leading European nations rose to an enormous premium. At that time the American Dollar actually sold at a discount of about 40%, measured by the price the Pound Sterling and the Franc commanded in New York City. These conditions which existed less than thirty months ago, make a strange comparison with conditions existing today.

The value of any currency is today measured in terms of the American Dollar, and there can be no doubt that *the American Dollar is at present the world's standard*. On February 24, 1917, New York City quoted the currencies of all six leading countries of Europe at discounts as shown by the table herewith.

DISCOUNT OF CURRENCIES OF SIX LEADING EUROPEAN COUNTRIES

Country	Currency	Quotation	Par Value	Discount %
England	Pound Sterling	4.75½	4.86½	2½
France	Franc	5.85¼	5.18¼	13
Germany	Mark	68¼	95¼	28½
Italy	Lire	*7.40	5.18¼	43
Russia	Ruble	28½	51½	45
Austria	Krone	11	20¼	45

*Since this table was compiled Lire reached a low record of 7.85.

The last two and one-half years which have brought to Europe untold misery, have brought to the United States record business and genuine prosperity. During the thirty months August, 1914, to February, 1917, the United States exported goods valued at over ten billion dollars at enormous profits. Our foreign customers paid for these goods by sending us goods, gold and securities, as the following statistics will show:

Balance Sheet of the U. S. A. in account with abroad August, 1914 to February, 1917.

Goods Imported	$5,000,000,000
Gold Imported, net	900,000,000
American Secur. Repurchased	2,300,000,000
Foreign Securities Purchased	2,300,000,000
Total	$10,500,000,000
Goods Exported	$10,500,000,000

These statistics show that the United States increased its stock of gold by $900,000,000, reduced its indebtedness abroad by $2,300,000,000 and bought obligations of foreign countries amounting to $2,300,000,000, and all this was accomplished during a period of thirty months. As the total foreign holdings of American securities are at present estimated at about $2,000,000,000 which is less than the American holdings of foreign securities, the United States of America have definitely passed from the state of a debtor nation to the state of a creditor nation. This is the first step towards financial leadership, and the first step is, as generally known, always the most difficult one.

Will It Hold Its Position?

The real question is not whether the American Dollar will become the world's standard but whether the American Dollar will remain the world's standard for good? Before the outbreak of the world war the currencies of England, France, Germany and the United States were money standards all over the world, with England's currency, the Pound Sterling, as the actual leader. The United States

has become the world's financial center through the catastrophe which befell Europe, and if we expect to retain this position we have to imitate the example of these European nations by acquiring the means through which they gained their position as international bankers and financiers.

England, formerly the world's financial leader, based her leadership on the following assets: (1) Her merchant navy, (2) her huge stock of foreign securities, (3) her profitable enterprises all over the world, (4) her export industries, (5) her banks abroad, (6) her control of the world's cable systems, (7) her control of the world's gold supply, and (8) her rich colonial possessions. Germany based her financial strength on her merchant navy, her large stocks of foreign securities, her profitable enterprises abroad, her highly developed export industries and her banks in foreign countries. France, well known through her thrift, is probably the largest holder of foreign government bonds.

America's Progress

The United States has made great progress in various directions during the last two years. The National City Bank, our largest banking institution, has opened branches in various parts of the world, and other American banks will probably follow suit.

The war in Europe has killed Germany's export industries and has crippled England's export industries, thus giving the United States a tremendous advantage for the time being. The German submarine warfare will probably further curtail English exports. The enormous demands of the European belligerents upon our industries and the prosperous state of our domestic trade taxed the capacity of our industries, and we could, therefore, not take full advantage of the opportunity offered to American exporters in South and Central America and China, the natural markets of the United States. It remains, therefore, to be seen whether the United States will be able to conquer these markets after the end of the European war. The fact that the American merchant marine, as far as it is available for ocean tonnage, is utterly insufficient to take care of our exports, is a decided disadvantage. Our export industries which sell at present huge amounts of war supplies to Europe's belligerents, will have to compete again with the German and English manufacturers in all parts of the world. The taxes, which the European governments will have to levy, will be such a heavy burden on English and German export industries that our export industries should be able to compete successfully in the world markets. *Exorbitant taxes for the European manufacturer will be one of our biggest assets after the war,* for making the dollar the standard currency of the world. Another big asset is the fact that the foreign trade of the United States shows normally an export balance, while the foreign trade of our chief competitors, England and Germany, shows normally an import balance. It stands to reason that a nation which has a favorable trade balance like the United States, is in a much stronger position to become the world's financial center than nations with unfavorable trade balances. The fact that England was the world's financial center although she had to settle an unfavorable trade balance, shows the immense resources of the British Empire better than anything else.

American Corporations Abroad

Another valuable factor is the American corporation with mines, plants and factories abroad. American copper interests in Mexico and Chili, the American packing industry in Argentine, American oil interests in Mexico and Rumania, etc., are immensely strengthening the position of the American Dollar; the representative of American copper interests in Chile succeeded last year in establishing a regular quotation for the American Dollar. English and German capital owning railroads, mines, public utilities and manufacturing plants abroad, gave the Pound Sterling and the Reichsmark their predominant positions. During the last two years Germany was able to build up large dollar credits in the United States through collections

of debts, interests and dividends on her South American and Far Eastern investments and enterprises.

In this connection the American International Corporation deserves to be mentioned. The American International Corporation, which was called into existence during the European war, has 50 million dollars capital stock, of which 50% has been paid in. The American International Corporation was founded to promote American interests and employ American capital abroad. In its first annual report the corporation says that it had received 1,230 propositions from all over the world relating to finance, transportation, agriculture, manufacturing, public utilities and mining. Nine hundred and seventeen, or about 75% of these propositions, had to be turned down, while the remainder are still under consideration. The American International Corporation has already secured a very influential voice in our shipping industry by acquiring capital stock of the International Mercantile Marine Co., the United Fruit Co., the Pacific Mail Co. and the New York Shipbuilding Co.

The Diffident American Investor

A great drawback for establishing the Dollar as the world's standard currency for good, is the unwillingness of the American investor to invest in foreign securities. Of the $2,300,000,000 foreign securities purchased by the United States during the last two years far more than half are in the hands of banks, bankers trust and insurance companies, while the big corporations manufacturing war supplies have also taken a very substantial amount. The American investor has taken less than one-third of the foreign securities offered in the United States during the last two years of national prosperity, and this is ample proof that the American investor is unwilling to buy foreign securities. Of course, it must be taken into consideration that only about 5% of all the foreign loans were made to neutrals, while about 95% of the total were loans to the British Empire, France and Russia. A great many investors that might be willing to take foreign securities, are loath to invest their money in the national obligations of the European belligerents, because they consider the possibilities of repudiation and national bankruptcy. But even the small amount of such first rate securities as dollar obligations of the Scandinavian countries, Switzerland, Argentine and other neutrals, which were brought out in the United States, were not oversubscribed by the American investor. The shares of the four big Argentine railroad systems, which are offered to the American investor, are barely considered. Experience of the last two years has proved that the American investor does not incline towards foreign securities, and it remains to be seen whether the offering of foreign securities after the war will be more successful. The American investor in South American securities will be of great help to the permanent establishment of Dollar Exchange as the world's financial standard.

The fact that the British Empire will have contracted a debt of about two billion dollars in the United States before the war will be over, weakens the prospects of the Pound Sterling, regaining its position as the world's financial standard, thus strengthening the prospects of Dollar Exchange considerably. The authority conferred by the Federal Reserve act upon national banks to accept bills of exchange, arising from merchandise imports and exports, also tends to standardize Dollar Exchange abroad.

When the war is over, the currencies of the leading European nations will surely recover part of their losses. But a recovery to the par values will take a considerable time, and during this time the fluctuations in Pounds Sterling, Marks, Francs, Rubles, etc., will make it difficult for exporters and importers all over the world, to deal on the basis of these currencies. Dollar Exchange will be practically stable, and will, therefore, afford a much better standard for international transactions. *The Dollar will remain the world's standard for a few years to come,* and during these years the United States have a very fair chance to establish permanently the Dollar as the world's financial standard.

The Business Situation

THERE is practically no change in money rates and the present outlook indicates no radical change for some time to come. While the drop in surplus reserves of New York banks last week was considerable, the reserves are still ample.

The further rise in commodity prices shown by Bradstreet's index in the table below, follows such a long series of increases that it attracts little attention. Rising commodity prices have become the normal thing to expect. The price of pig iron has taken another sharp jump, largely because of the small production of February, when traffic congestion checked the output of the furnaces. Also the long period of activity has burned out a good many linings, so that shut-downs for repairs are becoming more and more necessary.

There is no let-up in the demand for iron and for steel plates. The average steel price of last week was above $81.00 per ton and this week will show a still higher figure. The demand for ship plates for export is especially keen. England could put together a tremendous number of ships if she could get the necessary plates from us. This is one of the principal ways in which she plans to meet the submarine menace. Copper, likewise, is still at the top notch, 37 to 38 cents a pound for spot, with hardly any obtainable.

The falling off in February bank clearings as compared with January is not much more than usually occurs in that short and snow-bound month. The traffic tie-up reduced clearings, but such difficulties are not uncommon in February. The clearings do not indicate any real decrease in general business activity.

For February our excess of exports over imports will of course be smaller than the record figures of January, because of the check to ocean trade by the submarines. The March figures, when they become available, will afford a better index of permanent conditions.

In general, business is being well maintained at a high level, with no important decrease in demand for goods.

		Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks.	Per cent Cash to Deposits New York Clearing-house Banks.*	Per cent Loans to Deposits New York Clearing-house Banks.*	Br'dst's Index of Commodity Pcs.	English Index of Commodity Pcs.
March,	1917......	4¼	5⅛	16.2	93.0	14.14	.....
February,	1917......	4⅛	5⅛	16.0	93.0	13.94	4,953
January,	1917......	3½	5⅛	16.3	93.1	13.73	4,908
March,	1916......	3⅛	5	15.5	92.9	11.37	4,008
"	1915......	3½	5	18.6	97.0	9.62	3,131
"	1914......	4¼	3½	26.3	96.6	8.83	2,616
"	1913......	5⅝	5	25.7	100.6	9.40	2,717

* Affected by the new Federal Reserve System.

		Total Bank Clearings of U. S. (Millions)	Bank Clearings of U. S. Excluding N. Y. City (Millions)	Balance of Gold Movements —Imports or Exports (Thousands)	Balance of Trade —Imports or Exports (Thousands)	Building Operations, Twenty Cities (Thous'ds)	Business Failures Total Liabilities (Thous'ds)
Feb.,	1917........	21,463	8,669	.....	......	.....	14,300
Jan.,	1917........	25,616	10,489	Imp. 38,206	Exp. 371,766	34,311	22,296
Feb.,	1916........	18,236	7,129	Exp. 7,668	Exp. 207,848	33,495	18,320
"	1915........	11,912	5,430	Imp. 11,672	Exp. 174,682	30,057	28,674
"	1914........	12,865	5,628	Exp. 5,870	Exp. 25,875	31,339	21,257
"	1913........	13,614	5,820	Exp. 7,017	Exp. 44,083	33,488	28,971

		Wholesale Price of Pig Iron*	Production of Iron (Tons) (Thous'ds)	U. S. Steel Co. Unfilled Tonnage (Thous'ds)†	Price of Electro. Copper. Cents.	Crop Conditions				Babson's Bond Average.
						Winter Wheat	Spring Wheat	Corn	Cotton	
Mar.,	1917....	29.90	....	.....	37.0	...	...	...	...	93.3
Feb.,	1917....	27.42	2,637	11,576	36.2	...	...	...	...	93.5
Jan.,	1917....	25.90	3,151	11,474	30.0	...	...	...	...	94.7
Mar.,	1916....	17.90	3,087‡	8,569‡	26.3	...	...	...	...	91.6
"	1915....	12.27	1,675‡	4,345‡	14.8	...	...	...	...	88.7
"	1914....	14.00	1,888‡	5,026‡	14.1	...	...	...	...	93.2
"	1913....	16.31	2,586‡	7,656‡	14.7	...	...	...	...	94.3

*No. 2 Southern at Cincinnati. †End of mo. named. ‡February.

Wheeling & Lake Erie

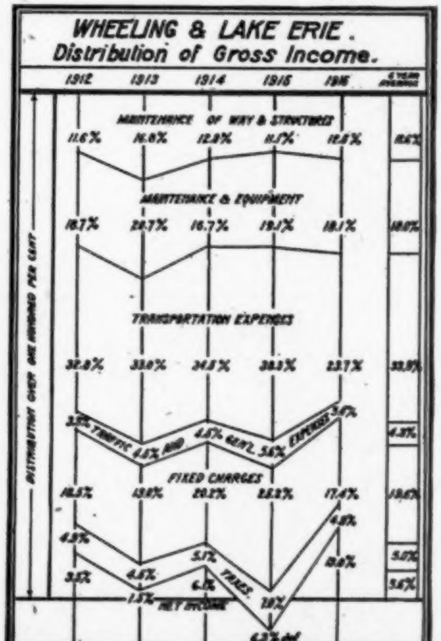
Financial Aspects of Reorganization—Physical Condition and Earning Power of Road—Outlook for New Preferred and Common Stocks Not Promising

By L. R. BEECH

FAULTY financial structure has been the fundamental cause of the insolvency of the majority of American Railroads in the last decade. The reorganizations, of which there have been such a large number recently, have had for their object the permanent strengthening of the credit position of the roads involved. Has this been accomplished in the case of the Wheeling & Lake Erie? Has the road been rescued from financial failure and put solidly on its feet? The writer doubts it.

Financial Status of the Road

The reorganization of the Wheeling & Lake Erie has been spoken of as a drastic one. Let us see just how drastic it was. The reorganization plan had two distinct objects besides that of restoring the road to its stockholders. Its first object was to raise funds to pay off money that the receivers had borrowed over a number of years to keep the road a going concern. This was done by assessing all the old stockholders $27 a share, irrespective of what class of stock they held. This part of the plan was an entire success, even more of a success than the reorganization committee had any right to expect. The second object of the plan was to create a new blanket mortgage to take up the various underlying bonds of the new company as they came due. The bonds of the old company were in effect left undisturbed. It was proposed, however, to the holders of the First Consolidated 4% Bonds, due 1949, that they immediately exchange their bonds for the new blanket mortgage bonds. This feature of the plan has not been an entire success, for the good reason that it is very difficult to get a holder of a superior bond to exchange for an inferior bond, even though that bond bears a higher rate of interest. The inferiority of the



new ½% bonds lay in the fact that they were subject to underlying liens, including the 4% bonds, whereas the latter were a first lien on 216 miles of road and secured by a direct mortgage on 476 miles of road appurtenances, equipment, etc., subject only in part to prior liens of a comparatively small amount.

To refund $8,000,000 3-year 5% notes of the old company outstanding, together with interest to November 1, 1916, there was created $11,882,600 prior lien 7% cumulative stock entitled to priority over the preferred stock and common stock, both as to dividends and in liquidation.

None of the three classes of stock of the old company was by its charter given any preference over the other classes in assets and, therefore, the three classes were by the plan treated in substantially the same manner, the only difference in treatment being that in recognition of their relative positions as to dividends, the first preferred stock was given slightly more than the second preferred stock and the second preferred stock slightly more than the common stock, in common stock of the new company, thus in effect reducing the cost of the common stock of the new company in the order of the priority of the three classes as to dividends.

All stocks were assessed $27 a share, on the payment of which the common received 27% in new preferred stock and 87½% in new common; the first preferred, 27% in new preferred and 100% in new common and the second preferred, 27% in new preferred and 90% in new common. The subscribing stockholders were also offered on subscription at par and accrued dividends, new prior lien stock to the extent of 32.13% of their holdings. The property was acquired at foreclosure by the reorganization managers on October 30, 1916, and the reorganization plan declared operative. The result of the plan was to produce a new company with a total capitalization of $72,370,858 against $74,811,956, the capitalization of the old company, a decrease of $2,441,098. By no stretch of the imagination could this be called a drastic reduction in capitalization. However, there was a considerable reduction in fixed charges, namely, about $976,435. This reduction in fixed charges would have truly worked out to the advantage of the stockholders if it had not been for the interposition of the prior lien stock.

From the stockholder's standpoint another striking shortcoming of the plan was its virtual failure to provide the new road with working capital. The amount of cash estimated to be required to carry out the plan was approximately $9,984,708. The stockholders were asked to put up this entire amount. Of the total, $6,673,459 was used to pay receiver's certificates, exclusive of a paltry $190,000 maturing in 1926, and $755,000 to pay demand notes; leaving $2,556,249 "to pay other claims against and liabilities of the receiver, to provide working capital for the New Company and to pay interest, expenses of foreclosure and sale and of reorganization (including compensation and allowances, counsel fees, court costs, services of engineering, accounting and other experts, etc.), and other incorporation and reorganization disbursements, and miscellaneous requirements." The Syndicate underwriting the plan of reorganization received for their services as syndicate managers $200,000 and for their services as managers of the road under the plan $300,000, a total of $500,000. The other charges, etc., absorbed practically the entire balance. It is evident that little "working capital" was left for the new company.

The Physical Condition of the Road

During the eight years that the Wheeling & Lake Erie was operated by a receiver, and it may be remarked, by the way, that this period of receivership was one of the longest on record, over $5,000,000 was spent on the property in addition to $2,000,000 raised by the sale of receiver's equipment certificates.

It is entirely customary for receivers to keep a railroad in as good condition physically, as possible. They do so by the mandate of the court. The graphic shows how consistently money has been spent out of gross for the maintenance of way and structures and the

maintenance of equipment during the past six years. However, in the annual reports of recent years, the receiver has repeatedly outlined necessary improvements which must be made with as little delay as possible. These improvements include the purchase of a large amount of new equipment. The locomotives in service are for the most part old and many of them obsolete. Of the 208 locomotives in service on June 30, 1915, 67 were from 20 years to 32 years old; 22 were from 15 to 19 years old, and 99 were from 10 to 14 years old. The rails for the most part are light and old. On June 30, 1916, the total freight cars were reported at only 8,567, an actual decrease of 2,206 from 1912. The total capacity of the freight cars on June 30, 1916, was 371,095 tons as compared with 382,140 in 1912. Replacement of old cars by new ones of greater capacity did not increase the total freight car capacity. In all fairness, it should be said that notwithstanding the bad light in which it appears so far as its physical condition is concerned, the Wheeling & Lake Erie is not in seriously poor shape. But it may soon reach that stage if money is not spent.

Earning Power of the Road

The Wheeling & Lake Erie lies like the letter X across the State of Ohio, its main lines extending from Toledo to Wheeling, W. Va., and from Cleveland to Zanesville. It covers a rich agricultural, coal mining and manufacturing district. It is 512 miles in length. Between 60% and 70% of its freight is products of mines and the system is well located strategically to do a big and profitable business. It has always been a road which could be operated at a comparatively low cost, this being due to the fact that it traverses bituminous coal land and can get its fuel supply rather cheaply, and further to the fact that its train loads are very large since a heavy proportion of the freight is coal.

By reference to the table it will be seen how the new securities would have fared during the past five years had the old company been capitalized as is the new one. Taking the average balance available for the prior lien stock over those five years, we get a total of approximately $800,000 per annum equal to a little over 6¾% on the prior lien stock against a dividend requirement of 7% on that stock. At this rate nothing would have remained for the common. In considering these average figures, it must be borne in mind of course that the tendency of a road operated under a receiver is to show the poorest net earnings possible. If the 1916 year of the Wheeling & Lake Erie is taken alone for the purpose of judging the earning possibilities of the new securities, the

INCOME AVAILABLE FOR NEW SECURITIES.

Years Ended June 30	1916	1915	1914	1913	1912
Income available for fixed charges after deducting rentals and hire of equipment	$2,436,012	$781,965	$1,666,582	$1,204,911	$1,759,593
Deduct interest on undisturbed securities	242,150	242,150	242,150	242,150	242,150
	$2,193,862	$539,815	$1,424,432	$962,761	$1,517,443
Deduct interest on $11,697,000 (new) 1st & Ref. 4½s	*526,365	*526,365	*526,365	*526,365	*526,365
Balance	$1,667,497	$13,450	$898,067	$436,396	$991,078
INDICATED EARNINGS:					
On $11,882,600 new Prior Lien Stock	14.03%	0.11%	7.55%	3.67%	8.34%
On $10,344,958 new Preferred Stock	8.07%	.....	0.64%	.....	1.53%
On $33,641,300 new Common Stock	0.63%	.....	.....	.....	.....

*This amount may vary to any figure between $467,880 and $526,365, depending upon the amount of W. & L. E. 1st Cons. 4s which are exchanged for the new Ref. 4½s.

story is an entirely different one. There was shown a balance equivalent to 8% for the preferred stock after the allowance for full dividends on the prior lien stock.

But, 1916 was an exceptional year. That year was one of low operating expenses in both material and labor. Things are now changing very rapidly and the record net earnings, which were raising high the hopes of the stockholders last year, are fast disappearing. The trend of earnings has been regularly downward since the end of the last fiscal year. Starting with the month of July, 1916, there was an increase in net over the corresponding month of the previous year of about $185,000. In August the increase over 1915 was reduced to $124,000, and in September to $52,000. October showed a decrease of $16,000, November a decrease of $78,000, December a decrease of $404,000, and January a decrease of $53,000.

The remaining five months of the twelve month period ending June 30 next, may be marked by very large decreases over the previous year, as the earnings in the Spring of 1916 were remarkably high.

The reason for these decreased earnings are general as well as specific. All the American railroads, as is well known, are now facing an era of greatly increased costs of material and labor, and these higher costs are being reflected in higher charges for maintenance of equipment and maintenance of way. The fuel item alone is one of tremendous importance in the increased cost of operation. Some of the causes of decreased earnings for the railroads in general are appearing in an aggravated phase in the case of Wheeling & Lake Erie, owing to its comparatively poor physical condition, etc. We conjecture that one great cause of that road's decline in earnings is inability to operate with equal efficiency once gross business has increased beyond a certain point.

It is difficult to guess what the decrease in net earnings of the property for the next six months may be. But the common stock most certainly will earn nothing, and if the preferred stock earns anything at all, the stockholders will have occasion for felicitation.

The Future of the Road

In view of what has gone before it seems almost unnecessary to comment on the value of the common stock. If the preferred stock has more than a nominal value, it certainly cannot be based on the prospect of dividends in the near future.

It must now be plain to all of those who paid the assessment on Wheeling & Lake Erie stock or to those who purchased either issue at the high prices of last December (the common "when issued" sold as high as 27 and the preferred 58½, whereas they are now around 18 and 40 respectively) that they were extravagant to say the least.

At the time there was a wild but short-lived buying movement in the so-called reorganization group. The good and bad alike were carried to heights beyond reason. The readers of this magazine who consulted our Inquiry Department at the time were emphatically warned to leave the reorganization securities alone, especially those of the Wheeling & Lake Erie. *The Trend Letter,* which does not fear to say what it thinks, cautioned its subscribers in the following words on Monday, December 4: "The leadership during the rally was vested in the rails, but was a different rail leadership from any which has heretofore marked the beginning of a movement of importance. Reading was used as a lever with which to pry up the list, but those showing the largest advances were of the 'cat and dog' variety, among the rails, most of which are about to emerge from receivership, and whose banking sponsors naturally are interested in creating an attractive market for the new securities which must be distributed." Prophetic words indeed!

It is possible that time will produce marked changes in the Wheeling & Lake Erie situation, but it is difficult to see where the road with its present clumsy financial structure, poor equipment, lack of credit and other obstacles will be able to finally develop into a substantial system without the aid of another readjustment of its capitalization.

Important Railroad Reorganizations

(Concluded)

Minneapolis & St. Louis, Missouri Pacific, Pere Marquette and St. Louis & San Francisco—Their Reorganization Plans—Position and Outlook for Their Securities

By B. E. CARR

THE first and preceding installment of this discussion took up the affairs of the Chicago, Rock Island & Pacific and the Cincinnati, Hamilton & Dayton railroads. This installment takes up four other equally important railroads, the Minneapolis & St. Louis, Missouri Pacific, Pere Marquette and St. Louis & San Francisco. I will proceed to their consideration in the order named.

III. Minneapolis & St. Louis Railroad Company

A readjustment, without foreclosure or receivership, of the affairs of this company was effected in 1916. The plan provided for the formation of a new company and for the issuance of $26,000,000 new stock to be exchanged for the old common and preferred, holders of which received 22% and 70% respectively in new stock, together with an option of purchase for a further amount. The floating debt of the company has been reduced; $2,500,000 maturing notes have been paid off, and under the new operating management the road should be in a position to take full advantage of the opportunities afforded by the present industrial prosperity. If the business of the company continues in its present substantial volume, it is believed that the company this year is capable of earning over 3% on the $26,000,000 new stock. Even for the fiscal year ended June 30, 1916, under the old company's operation, there was a surplus applicable to dividends of $652,245, equal to 10.41% on the old preferred and 2.07% on the old common stock, but under the readjustment fixed charges have been reduced by $150,000 a year, and in addition earnings for the current fiscal year are in excess of those of 1916.

The new stock is quoted around 25, and is undoubtedly a good purchase if earnings continue at their present rate.

IV. Missouri Pacific Railway Co.

Of all the reorganizations under consideration, this is perhaps the most interesting. If the inside history of the various steps leading to the rehabilitation of the property were known, what a record would be shown of triumph over apparently insuperable obstacles, which again and again threatened utterly to destroy all that had already been accomplished, and frequently seemed as though they would render any sound yet equitable plan of readjustment impossible. Yet now, with the difficulties surmounted and the plan of reorganization declared effective, of the Missouri Pacific perhaps more than any other road is the question asked: "What of the future? Will it be another Union Pacific?" Thirty years ago the Missouri Pacific was paying dividends of 7% per annum. Even ten years ago its bonds were classed as a legal investment in New York State. With a reduction of $60,000,000 in fixed interest-bearing securities; with adequate working capital and record earnings, the new securities issued under the plan of readjustment, and the bonds remaining undisturbed, are among the most promising issues now on the market.

After many delays, the reorganization plan for the Missouri Pacific was finally made effective in November, 1916. Briefly, it ensures a reduction in fixed charges of $3,580,772, or 26.9%, from which it will be seen that the surgical operation was a severe one, and it provides for $41,419,792 new cash, $27,000,000 of which is for payment of notes and equipment trust

obligations, and the balance for additional working capital, improvements, new equipment and expenses of reorganization. The new securities comprise $46,923,150 first and refunding 5s, part of which are due in 1923, part in 1926 and the remainder about 1965, all secured by a direct or collateral lien on more than 7000 miles of road; $44,399,292 general 4s, due about 1975, and secured by a junior lien on the same mileage; $76,751,635 cumulative convertible 5% preferred stock and $82,839,585 common. The securities remaining undisturbed aggregate $128,460,620. The total capitalization of the new company is $379,372,283, with fixed charges amounting to $9,721,405, compared with fixed charges of $13,302,177 prior to reorganization.

A five years' comparative income account from 1912 to 1916, with fixed charges based on the new capitalization, makes interesting reading. It shows a yearly average of $3,745,744 above the sum which will be required to meet the new fixed charges. Earnings for the five months of the current fiscal year ended November 30, 1916, are even more encouraging and show, after deducting all ascertainable charges, 5.15% earned on the new preferred and 2.84% on the new common, or at the annual rate of 11% and 5.50% respectively.

The new first and refunding 5s, selling around 98, seem too high to allow of much chance for appreciation in market value. The new general 4s at 65 are more interesting, while the preferred stock at 54 and the common at about 30 should prove essentially worth while if bought on recessions and held. This reorganization has been a drastic one, and the road starts on its new career with no "dead wood" to impede the path of progress.

V. Pere Marquette Railroad Co.

Space forbids more than a brief mention of the reorganization of this company. The plan adopted provides for the sale of the property under foreclosure; for cash to the extent of $16,000,000; for a decrease of $2,439,580 (59%) in fixed charges; for new issues of $21,976,000 Series A 5s and $8,479,000 Series B 4% bonds due 1956, $11,200,000 5% prior preference stock, $12,429,000 5% preferred stock and $45,046,000 common stock. Old securities aggregating $50,141,093 are exchanged for the above mentioned new issues, in varying proportions, bonds to the amount of $5,870,000, are undisturbed, and receivers' certificates and equipment obligations to the extent of $7,718,000 are paid in cash. Had the reorganization been in effect in 1916, interest on all the bond issues of the company would have been earned practically twice over, leaving a balance of 27.60% on the prior preference stock, 20.42% on the preferred stock and 4.25% on the new common. The company starts on its new career in good physical and financial condition, and the outlook for 1917 is even better than that shown in the unusually large earnings of 1916. The new first 5s (when issued) are quoted at 93 and the 4s at 75; the prior preference stock at 68; the preferred at 55 and the common stock at 28. The greatest possibilities for appreciation would appear to be in the preferred stock, which looks cheap at 55. The bonds are rather high, the preference stock is on a fair investment basis; the Common Stock, of course, is purely a speculation.

VI. St. Louis & San Francisco Railroad Co.

The Frisco receivership began on May 27, 1913. It ended on July 19, 1916, with the formation of a new company, from which the Chicago & Eastern Illinois; the New Orleans, Texas & Mexico and the New Orleans Terminal Companies, all of which had proved a regular "old man of the sea" to this particular Sinbad, had been eliminated. The Plan of Reorganization provided for the raising of $25,000,000 new cash; it reduced the total capitalization from $287,286,388 to $264,408,318 and the fixed interest charges from $14,886,344 to $9,158,190 or $5,728,135 less than those of the old company. Even when there is added to the fixed charges of the new company contingent interest

charges of $4,544,389 for the new 6% income bonds issued under the plan, the total is still $1,183,746 below the aggregate fixed charges under the old capitalization.

Of the funded debt of the old St. Louis & San Francisco, only the general mortgage 5s and 6s of 1931 and certain equipment trust certificates remain undisturbed. The new securities issued by the reorganized 'Frisco (now known as the "St. Louis-San Francisco Railway Company") comprise $93,398,500 prior lien A 4s and $25,000,000 prior lien B 5s, both due in 1950; $40,547,818 cumulative adjustment A 6s, due 1955; $35,192,000 income A 6s, due 1960; $7,000,000 6% preferred stock and $48,480,000 common stock, a total, including $14,790,000 undisturbed securities, of $264,408,318. The prior lien bonds, which are subject only to $14,790,000 underlying issues, none of which matures at a later date than 1931, are secured by direct or collateral lien on nearly 4,000 miles of road and 920 miles of leasehold interests. The adjustment 6s are secured by a junior lien on the same property, as are the Income 6s.

The Series A 4s and Series B 5s, selling at the present time at about 68 and 85, look rather attractive. The adjustment 6s, at 72, are of course more of a speculation, but as interest is cumulative, the bonds should eventually give a good account of themselves. It may be recalled that in the reorganization of the Atchison, Topeka & Santa Fe, interest on the adjustment 4s was paid almost from the start. The income 6s are selling at about 53. Interest on these bonds is not cumulative and is payable only after the full interest on the adjustment bonds has been paid. Their price is an indication of their speculative position. The new preferred is selling around 35 and the common at 21½. Gross earnings for the fiscal year which ended June 30, 1916, were the largest in the history of the St. Louis & San Francisco, and were sufficient, had the new capitalization been in effect, to pay both fixed and contingent interest charges. Taking a five year average, we find the full fixed charges earned, and also the full 6% interest on the adjustment bonds, with a balance equal to about 2½% on the 6% income bonds. For the first half of the current fiscal year record earnings are reported, showing a balance after all fixed and contingent charges, of nearly $2,000,000, as compared with a balance of only $561,000 for the corresponding period of 1916.

The foregoing necessarily fragmentary summaries cover only a few of the roads recently reorganized or awaiting reorganization. The Wabash-Pittsburgh Terminal has recently emerged from one of the longest receiverships in railroad history, and the Western Pacific from one of the shortest. The Plan of Reorganization for the Wheeling and Lake Erie, after a receivership lasting nine years, has also been declared effective; that for the Missouri, Kansas & Texas has yet to be formulated. A plan of readjustment for the Western Maryland has recently been made public. Among other roads awaiting rehabilitation may be mentioned the Boston & Maine, the Chicago & Eastern Illinois and the Toledo, St. Louis & Western, while a readjustment of the affairs of the New Haven is not improbable.

It will be seen from the foregoing that from now on the securities of reorganized railroads are likely to be of consuming interest, and will repay the most careful scrutiny. More than any other issues of corporate securities, perhaps, they offer golden opportunities to the investor capable of exercising judgment in his purchases and sales.

THE END.

Railroad and Industrial Digest

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Market commitments should not be made without further corroboration.—*Editor.*

RAILROADS

Atchison, Topeka & Santa Fe.—Net after taxes for 7 months ended with January was $32,167,750 against $25,059,520 in the previous year.

Atlantic, Gulf & West Indies.—Expected to take action on dividend in next quarter of the year.

Baltimore & Ohio.—Earnings for January showed a gain of $1,328,065, or 15%, in gross and a gain of $597,141, or 29%, in net for January. Maintenance expenses increased $140,000, while transportation expenses increased only $546,233, or less than half the gain in gross.

Boston & Maine.—Receivership has been made permanent by decision of Federal District Court, which found that there was no foundation for the charges of fraud made against the board of directors by the minority stockholders. Although the gross business of the company expanded by over a quarter million dollars in January as compared with January, 1916, the result after charges is expected to show a deficit. Coal supply is becoming a serious matter and in the event of war will probably be more serious. The first three weeks of February showed a decided decline in gross with freight earnings off 16% and passenger revenue 15% larger, resulting in a total gross decrease of 6%.

Boston & Albany.—In quarter ended December 31, 1916, showed surplus after charges of $1,037,680, an increase of $552,486.

Chesapeake & Ohio.—Has completed plans for development of its coal properties in West Virginia at a cost of $1,500,000 to $2,000,000. Plan is to open 4 or 5 mines with a daily production of 1,000 tons each. This coal to be used by the railway for general fuel purposes. January surplus after charges was $580,546 against $527,605.

Chicago Great Western.—January surplus after charges was $116,025 against $151,846 in 1916, and 7 months surplus after charges was $1,497,188 against $962,635.

Chicago, Rock Island & Pacific.—Temporary injunction restraining Bankers' Trust Company from proceeding in Federal Court of Illinois to enforce a judgment for $21,500,000 recovered against this company on January 23, 1917, because the railroad defaulted on bonds of which the Trust Company is trustee, has been granted by the Supreme Court at New York.

Chicago, St. Paul, Minneapolis & Omaha Railway.—President Earling has stated that operating conditions in January were unfavorable, due to severe cold weather and heavy snows which blocked traffic at many points, this condition extending into February. Surplus after charges was $183,740 against $139,057 in 1916.

Delaware, Lackawanna & Western.—In annual report to stockholders, President Truesdale sounds a note of warning by calling attention to increase in expenses compared with volume of business done during 1916 and to indications that expenses in early months of 1917 will probably increase further. Analysis of the report brings out that notwithstanding that 3% to 6% per annum has been charged off income for betterment during many years, the profit and loss surplus at the end of last year stood at $46,987,605, equal to 111% on the outstanding stock. A special corporate surplus of $20,316,120, equivalent to another 48% on the capital stock, represents additions to property charged to income since July, 1907.

Denver & Rio Grande.—January surplus after charges was $449,455, against $326,701 in 1916.

Erie.—Has applied to New York Public Service Commission for permission to issue $15,000,000 2-year 5% collateral gold notes, $9,280,000 to be used in taking up notes due April 1, 1917, and the remainder for reimbursement, for capital expenditures and various other requirements.

Great Northern.—Is expected to start this Spring the big Lake Chelan electrification project which involves the building of a dam to raise the level of the lake and the electrification of several stretches on the mountain division of the road from Spokane to Seattle.

Lehigh Valley.—In January showed net after taxes, of $361,007, against $719,385 in 1916. The decrease reflected the effect of traffic congestion, the company being unable to move as much tonnage as in the year previous, while conducting transportation costs rose sharply, absorbing an extraordinarily large proportion of earnings.

Long Island.—It is announced, that after expenditure of $596,692, the company has completed elimination of grade crossing at Fresh Pond Road, Metropolitan Avenue and Bushwick Junction. Under grade crossing elimination law, 50% of amount expended

must be borne by railroad company, 25% by city and 25% by state. There is to date $40,080 due railroad company from State and $74,048 due from city on this work, partial payment having already been made by City and State.

Louisville & Nashville.—January net after taxes was $1,927,880 against $1,571,788 in 1916.

Missouri, Kansas & Texas.—Showed a January deficit after charges of $191,732 against a deficit of $596,386 in 1915. Receiver of the road has been granted permission to issue $3,000,000 5% receiver's certificates provided none of the sum is used to pay interest on any mortgage bonds, the proceeds to be used for improvements made since the beginning of the receivership, etc.

Missouri Pacific.—Receivers to be discharged by April 1. Sale of fiscal properties of the road together with the St. Louis, Iron Mountain & Southern was consummated on March 1.

New York Central.—January gross earnings were $15,901,873 against $14,889,054 in 1915, while surplus after charges was $1,671,633 against $2,646,756 in 1916.

New York, Ontario & Western.—January surplus after charges was $9,009, against $33,874 in 1916.

New York, New Haven & Hartford.—January gross earnings were $6,712,001 as compared with $6,003,545 in 1916, while surplus after charges was $249,568 against a deficit of $266,436 in 1916. For 7 months gross was $48,635,130 against $43,826,161 and surplus after charges $4,795,659 against $3,040,034. An order of the Federal District Court at New York has extended the time given the company in which to dispose of 20,000 shares of stock of the Eastern Steamship Corporation and $1,500,000 of bonds of the New England Navigation to a date not later than April 1, 1918. The company held that the securities could be sold only at a sacrifice within the time originally set.

Norfolk & Western.—January surplus after charges was $1,809,125 against $1,581,248 in 1916.

Pennsylvania Railroad.—January gross was $13,032,442 against $17,706,237 in 1916, while surplus after charges was $2,929,326 against $3,429,425. The report of the company for 1916 shows gross of $230,278,533 as compared with $196,628,170 in 1915 and net income of $52,276,504 against $42,425,322. Earnings were equivalent to 10.47% on approximately $500,000,000 capital stock before sinking fund deduction, compared with 8.49% earned in 1915. In annual report president Rea said that increased costs have made heavy inroads into profits during the last few months and it is expected that their effect will be even more acute in 1917. He added: "Under the existing international complication and the exceptional industrial activity there should be no delay in placing the railroads in the strongest financial and physical condition." The combined operating revenue of all the Pennsylvania railroad transportation companies east and west of Pittsburgh and Erie owned, operated or controlled by or affiliated in interest with the Pennsylvania system showed gross revenues of $443,338,365 in 1916, as compared with $374,939,646 in 1915. President Rea has denied rumors emanating from Boston that the Pennsylvania Railroad was seeking control of the New York, New Haven & Hartford.

Pere Marquette.—In January showed a deficit after charges of $430,609, against a deficit of $212,944 in 1916. The deficit for 7 months was $91,145, against a surplus of $303,191 in 1916.

Reading Company.—January gross was $586,341 against $573,589 last year, and surplus $86,276 against $109,136 in 1916. The total January surplus for all lines was $1,302,802 against $1,668,869.

Seaboard Air Line.—January net after taxes was $730,891 against $607,119.

Southern Pacific.—May retain its Havana New Orleans S.S. Line under the Panama Canal Law by a ruling of the Interstate Commerce Commission. The law forbids railroads owning competing water lines but it is held there is no competition in this case. As to steamship lines between Galveston and New York and New Orleans and New York owned by the Southern Pacific, Commission gives railroad 60 days in which to revise some of its practices which it is felt evades the jurisdiction of the Committee.

Southern Railway.—January net after taxes was $2,024,136 against $1,548,399 in 1916. It is announced that the $25,000,000 2-year notes offered by a syndicate recently had been all sold and the books closed March 3.

St. Louis & San Francisco.—January net was $1,220,719 against $847,242.

Texas & Pacific.—Has completed plans to improve its passenger station at Ft. Worth, Texas, and to eliminate a grade crossing which improvement will cost approximately $650,000.

Union Pacific.—January gross was $8,483,594 against $7,404,021 in 1916, while net after taxes was $2,151,564 against $2,249,070. Maintenance expenses of road for the month advanced 13.2% and transportation expenses 31.8% while traffic expenses increased 17.1%.

Virginian Railway.—January net after taxes was $391,845 against $324,988.

Wabash.—Showed January gross of $2,912,839 against $2,859,284 in 1916, while there was a deficit after charges of $36,168 against a surplus in 1916 of $275,066.

Wheeling & Lake Erie.—January gross was $680,917 against $692,324 in 1916, while net after taxes was $145,005 against $197,842 in 1916.

Allis-Chalmers Manufacturing.—Has declared regular dividends of 1¾% on the preferred stock for the quarter ending March 31, and ¾ of 1% on account of back dividends, both payable April 16 to stock of record March 31.

American Car & Foundry.—Has declared an extra dividend of 1% on the common stock, payable April 2, to stock of record March 12.

Adams Express.—Five months gross ending with November was $19,795,123 and operating income $375,265 against operating income of $1,072,364 in the corresponding period of 1916.

American Malt.—Deposit of stock of both classes with committee in charge of plant for exchange of American Malt Corporation securities for those of the American Malt Company amounted at the end of February to over 88½%. Stock Exchange has stricken American Malt Corporation Preferred from list.

American Smelting & Refining.—Annual report for 1916 shows 29.7% earned for the common stock. The rate of earnings is understood to be nearer $40 a share at the present time. Dividend on the common stock is expected to be increased in April. The company's mining operations in Mexico have been resumed after a suspension of nearly a year.

American Woolen.—Report for 1916 showed net earnings in excess of $8,000,000 or over $3,000,000 greater than in 1915. The balance shown for the common stock was equal to $13.31 a share as compared with about $6.50 a share earned in 1915.

Barrett Company.—Earnings for 1916 are estimated at 37% on the common stock, after allowing for preferred dividends, but it is stated that with the income from the one-third interest in the Benzol Products Co. the balance for the year for reserves should be close to 40%, compared with 21.19% actually earned in 1915. A special meeting of stockholders has been called for March 16 to increase the authorized amount of preferred stock from $5,000,000 to $12,500,000 and the common stock from $15,000,000 to $25,000,000. Preferred stockholders will be given the right to subscribe to 30% of their holdings in new preferred stock at par.and the common stockholders the right to subscribe to 20% of their holdings in common stock and 10% in new preferred stock.

Bethlehem Steel.—Has completed plans for rounding out of its industrial steel department at a cost of $1,000,000. The company is expected to produce more steel during 1917 than in any previous year in its history and deliveries will be made upon a much higher price basis than in 1916. Foreign orders are not nearly as large, but the wider profit on the commercial steel in 1917 is expected to more than equal the profit realized from war business in 1916.

Burns Coal.—Earnings for 1917, it is estimated, will be record breaking and may approach $9,000,000 to $10,000,000 or 13% to 14% on the $68,169,950 combined share capitalization.

Central Leather.—President Edward C. Hoyt of this company, in his annual statement to stockholders, said, in part: "The company has no indebtedness except for current monthly accounts and dividends declared and unpaid. Current assets are in excess of current liabilities by the sum of $69,687,942 and are $37,351,792 in excess of the entire liabilities (including the bonds) exclusive of capital stock. The remaining $6,000 outstanding debentures of the old The United States Leather Co., due May 1, 1913, were retired during the year.

"Current accounts receivable are in good condition, the estimated percentage of bad debts being about one-thirtieth of 1% of the amount of sales."

Chevrolet Motor.—For year ended December 31, 1916, showed net earnings from operations of $4,845,071; after deducting costs of manufacture and expenses of selling and administration; net income, including dividends received, $7,095,071, and increase in surplus for the current year of $29,469,588. Application has been made to list the stock on the New York Stock Exchange.

Corn Products Refining.—Earned in 1916 a balance after charges of $6,083,746, equal to 20.39% on the $29,826,867 preferred stock, compared with 10.62% earned on the same stock in 1915.

Distilling Company of America.—On March 1, 1917, Vice-Chancellor Lane at Newark, N. J., continued an injunction against the proposed dissolution of this company, a New Jersey corporation capitalized at $66,000,000, and denied an application for dismissal of a bill seeking a permanent injunction. Joseph H. Allen, a pfd. stockholder, objected to the proposed dissolution. The injunction will continue in force until suits against the Distilling Co. are settled.

Fisher Body Corporation.—Consolidated income account from date of incorporation August 21, 1916 to November 30, 1916, showed sales during period of $4,093,491 and net income of $726,500. Surplus after preferred dividends of $639,000 equal to $3.20 a share on 200,000 shares of common stock of no par value. New York Stock Exchange has permitted listing of $5,000,000 of company's 7% cumulative preferred stock.

Helme (George W.).—Earnings for year ended December 31, 1916, available for the common stock were $798,503 against $815,016 in 1915, equal to 19.96% compared with 20.37% earned in 1915.

Jewel Tea.—For 1915 showed a surplus available for the common stock of $924,536 equal to 7.70% on $12,000,000 common stock.

Kayser (Julius) & Co.—Has declared a regular quarterly dividend of 1¾% on the common stock, thus placing it on a 7% basis, the former rate having been 6%.

Kelly-Springfield Tire.—Has taken over the Northland Rubber Co. of Buffalo, N. Y. Transaction was entirely a cash one. No new stock will be issued by the Kelly-Springfield Co. to take care of the purchase.

Lee Rubber & Tire.—For year ended December 31. 1916, shows net sales of $3,587,761 and net profits of $237,337. The earnings on the stock were equal to $2.37 a share on 100,000 shares.

Loose-Wiles Biscuit.—For 1916 reports net earnings available for the 2nd preferred stock after dividends on the 1st preferred of $408,201 equal to 20.41% on the $2,000,000 outstanding and 5¼% on $8,000,000 common stock. The company has wiped off deferred charges of previous year and in their place has a prepaid expense of $120,612. Current assets are shown at $5,804,710 and current liabilities at $3,575,279 resulting in a working capital of about $2,250,000.

National Carbon.—For 1916 earned net after preferred dividends equal to 42.47% on the common stock as compared with 25.59% earned in 1915.

National Enameling & Stamping.—During 1916 retired $143,000 of bonds and thus reduced outstanding amount to $2,623,000. Sinking fund reserve aggregated almost $1,000,000.

Nova Scotia Steel & Coal.—Report for 1916 net profits of $2,104,478 after deducting interest charges and depreciation, taxes and reserves. Orders for steel products on company's books are equal to 74% of 1916 shipments and are sufficient to keep the plant fully employed for the next six months.

Pittsburgh Coal.—Net earnings for 1917, it is estimated, will reach $9,000,000, equal to about 13% on the combined outstanding capitalization.

Railway Steel Springs.—Report for year ended December 30, 1916, showed gross of $14,086,499 against $7,043,957 and net after preferred dividends of $1,765,806 against $118,228. The earnings on the common stock were equal to 13.07% as compared with 3.9% in 1915. President Fitzpatrick stated that company operated at capacity throughout the year, manufacturing its regular line of production, of which considerable volume had been sold for export, resulting in largest earnings in history of corporation. The company reserved $1,000,000 from surplus earnings of year for improvement, betterment and retirement of bonds; in addition a charge of $1,000,000 for depreciation of machinery plant and gas wells was made and applied to operating expenses and after dividends on both common and preferred stock there was added to surplus $1,597,056.

Republic Motor Truck.—Has acquired control of the Torbensen Axle Company and will increase its authorized common stock to 100,000 shares of no par value of which increase 13,825 shares are to be issued for the purchase.

Reynolds (R. J.) Tobacco Co.—Has offered to common stockholders of record February 26, right to subscribe to $2,500,000 additional 7% cumulative preferred stock in the ratio of one share of preferred for 4 shares of common stock now held. Rights expire April 2.

Sears-Roebuck.—Dividends on the common stock were increased to $2 quarterly, by the declaration of that amount payable May 15 to stock of record April 30. The previous rate was $1.75 a share quarterly or 7% per annum.

Tobacco Products Corporation. — Has taken over the Prudential Tobacco Company with an output of about 120,000,000 cigarettes annually. The transaction was entirely a cash one and no new stock will be issued. Tobacco Products now owns seven operating tobacco concerns. Balance sheet of company as of December 30, 1916, showed a profit and loss surplus of $2,022,274 as compared with $1,151,650 in 1915.

United Alloy Steel Corporation.—Report for the period from October 25, to December 31, 1916, net profits of $673,904. Its 500,000 shares of stock have been listed on the New York Stock Exchange.

United Drug.—January sales were $3,094,830 against $2,736,221 in January, 1916. Net earnings after depreciation, etc., slightly exceeded $250,000 which added to the first eleven months operation indicates total earnings for the full fiscal year of $2,794,428 and total net earnings of $2,881,236. An initial quarterly dividend of 1¼% on the common stock has been voted payable April 2 to stock of record March 17. This puts the stock on a 5% per annum basis.

United Fruit.—Will probably not do anything in 1917 toward retirement of $10,000,000 5% gold notes maturing in May, 1918. Although company is in a strong cash position, its expansion program is involving outlays in traffic and $4,000,000 to $5,000,000 in new steamers.

United States Industrial Alcohol.—For 1916 reported surplus after preferred dividends of $4,336,025 equal to 36.13% on $12,000,000 capital stock compared with 33.22% earned in 1915.

United States Rubber.—For 1916 reports a balance to profit and loss surplus of $28,479,135 compared with $22,962,332 as of December 31, 1915.

United States Steel Corporation.—Annual report to be issued about March 20, is expected to reveal information about the corporation's holdings of British Treasury notes, with which it is understood payment on a large scale for steel shipped to the allied government has been made. A possible total of $150,000,000 lodged in British Treasury Paper has been mentioned. Working capital of corporation is estimated to be in neighborhood of $500,000,000 compared with $290,000,000 a year previous.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth, as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.

Railroads	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	
Colorado Sou. 1st pfd........	$4	7.2%	34.72	27.04	17.64	19.59	4.77	6.52	25.32	55	46.00%	Earnings large.
Southern Ry. pfd.............	0	0.0	9.59	11.12	11.27	11.79	8.07	2.76	15.56	56	27.78	Twenty-five million dollar note issue sold.
Chesapeake & Ohio...........	4	7.0	10.02	5.06	6.80	5.25	4.73	4.25	10.95	57	19.20	New coal properties developed.
Buff., Roch. & Pitts. com.....	6	6.6	11.11	12.85	13.43	16.82	9.47	5.26	15.28	91	16.80	Jan. surplus shows decrease under 1916.
P. C. C. & St. L. com........	5	6.7	5.36	4.91	7.12	.....	0.89	6.88	11.68	74	15.78	Gain in surplus over 1915 $1,500,000.00.
Louisville & Nashville.........	7	5.6	17.35	14.26	15.93	11.64	9.22	6.75	19.38	125	15.50	Contr. by Atlantic Coast Line.
Minn., St. Paul & S. S. com..	7	6.4	14.09	5.86	11.17	14.62	7.55	7.86	16.32	108	15.10	Pfd. and com. share above 7%.
St. Louis S. W. pfd..........	0	0.0	4.10	6.11	8.14	9.49	1.69	—1.40	6.37	44	14.47	Business continues good.
Kansas City So. com..........	0	0.0	2.17	2.74	0.15	2.68	2.95	1.00	2.97	21	14.10	Road physically improved.
Norfolk & Western com......	7	5.5	11.79	8.93	9.88	10.17	8.68	8.77	17.34	128	13.54	Jan. 1917 earnings good.
Atchison R. com.............	6	5.9	8.99	9.30	8.19	8.62	7.39	9.18	12.30	101	12.10	Acquires new subsidiaries.
Southern Pacific	6	6.5	12.99	9.56	7.92	9.85	7.50	7.20	10.98	92	11.90	Retention of water lines permitted.
Union Pacific com...........	8	5.9	19.16	16.61	13.88	15.14	13.10	10.98	15.65	134	11.60	Maintenance expenses heavier.
Canadian Pacific com.........	10	6.6	16.00	17.28	19.62	19.56	13.63	11.27	17.53	152	11.53	Jan. 1917 earnings show increase.
Chicago Great Western pfd...	2	5.8	0.88	1.87	0.45	3.03	1.98	1.92	4.02	35	11.48	Earnings Jan. 1917 decrease.
Reading R. R., $50..........	4	4.3	5.38	3.33	3.41	8.43	4.03	4.18	10.16	93	10.92	January earnings 1917 lower than 1916.
Illinois Central	6	5.9	7.16	10.20	3.12	6.02	7.40	6.29	10.80	101	10.60	Expenses heavy.
Pennsylvania R. R., $50......	3	5.5	4.64	4.32	4.68	4.43	3.41	4.25	5.50	54	10.10	Returns 1917 decreased.
Chicago North Western com..	7	6.2	9.34	8.48	7.09	9.55	7.58	7.28	11.39	113	10.07	January earnings show increase.
Northern Pacific R. R........	7	6.8	8.99	8.24	7.93	8.69	7.93	7.59	10.37	103	10.06	Freight tonnage heavy.
Atlantic Coast Line..........	7	6.1	11.98	12.93	11.92	11.48	10.68	6.26	11.23	114	9.85	Earnings good.
Great Northern pfd...........	7	6.2	8.47	8.34	10.31	11.69	8.85	8.27	11.06	113	9.78	Electrification plans under way.
Lehigh Valley, $50...........	5	7.3	9.02	6.20	5.34	7.23	5.83	5.22	6.33	68	9.30	Transportation cost very heavy.
Chicago, Mil. & St. Paul com.	5	6.1	9.11	7.11	1.19	8.64	6.33	3.28	7.33	81	9.05	Good earnings.
Baltimore & Ohio com........	5	6.6	8.86	6.89	7.58	7.22	4.50	5.49	7.41	75	9.00	U. S. Express Co. sues for $950,000.00.
Del., Lack. & West. com., $50.	10	4.3	17.71	16.90	16.58	13.36	14.13	12.96	19.15	230	8.34	Gross earnings 1916 largest in history of Co.
N. Y., New Haven & H. R. R.	0	0.0	8.86	6.25	7.45	4.96	0.15	1.47	2.75	43	6.39	Better January earnings.
Seaboard A. L., pfd..........	0	0.0	6.82	6.40	2.37	6.14	5.72	1.43	0.44	33	1.33	Gradual improvements.
Erie R. R. 1st pfd...........	0	0.0	10.60	8.46	5.85	13.95	0.33	12.56	.....	39	3.21	New bonds listed on Stock Exchange.
New York Central............	5	5.2	6.41	6.87	6.23	5.87	3.75	11.10	.....	95	1.16	January earnings show fallings off in net.
Delaware & Hudson..........	9	6.5	12.54	12.32	12.95	14.53	10.84	14.28	.....	139	1.02	Earnings good as usual.

Companies which have not reported 1916 earnings are listed below companies which have reported such earnings.

Railroad and Industrial Inquiries

Missouri Pacific

B. S., Oakfield, N. Y.—Missouri Pacific w.i., represents the new common stock of the reorganized Missouri Pacific Railroad, the definite certificates for which have not been issued as yet. The reorganization, however, has been completed, resulting in the very heavy scaling down of the bonded debt of the Missouri Pacific Railroad, although it left the road with a very large amount, in fact an increased amount, of stock outstanding. While the road is now in a better position and the new securities are more favorably situated than the old ones, we do not favor a purchase of the new common stock. As a long pull proposition, it may have considerable possibilities, but there are more attractive stocks available.

Northern Pacific

K. I. F., Summerville, S. C.—Northern Pacific decline is attributed to various causes. First, there has been foreign liquidation of the stock; secondly, the company's earnings have been declining due to higher material and labor costs, increasing the cost of operations of the road; thirdly, the Spring wheat crop prospect in the Northwest is, as you doubtless know, very disappointing and this means less tonnage for the road; lastly, the death of James J. Hill may have had a sentimental affect in causing some of the stockholders to liquidate. We believe the stock is now selling unduly low, and that eventually it will recover, although there is a possibility that it may go somewhat lower, before again being established at a materially higher level.

Wabash

A. B., Bridgeport, Conn.—Wabash Common is so far removed from dividends that the stock in our opinion is an undesirable purchase, even as a long time speculation.

Chicago & Alton

P. B. A., Rhode Island.—Chicago & Alton Preferred (18 Bid, 30 Asked) is a very risky speculation and the outlook for the stock is far from encouraging. For the past several years the company has reported large deficits, as follows:

For years		
Ended June 30	1916 deficit	$171,578
Ended June 30	1915 deficit	1,690,156
Ended June 30	1914 deficit	2,762,290
Ended June 30	1913 deficit	1,883,290
Ended June 30	1912 deficit	303,722

Some day the Alton will probably be developed into a good earner, but that is a long ways distant and even the most optimistic expectations do not justify the present price of the stock. We suggest that you close it out.

Lehigh Valley

M. A. B., New York City.—Lehigh Valley is not earning a very large margin over its dividend requirements and the outlook for earnings for the remainder of the current fiscal year is certainly not encouraging. It would not surprise us if the road failed to earn its 10% dividend. The stock is now selling comparatively high and its investment position is somewhat doubtful. If you are a holder of the stock, we suggest that you watch your opportunity to liquidate on any good rally and we, of course, do not recommend a purchase.

Chicago & North Western

G. E., Milwaukee, Wis.—Chicago & North Western is one of the best of the railroad investment stocks. The road is now earning a large margin over its common dividend requirements of 7%. That rate has been paid on the stock for many years. The stock is now selling lower than it has sold in a decade. It may go lower, but a purchase at this price should eventually prove extremely profitable.

So. Pacific—N. Y. Central

F. A. J., Washington, D. C.—Southern Pacific and New York Central appear to be selling unduly low and it should prove profitable in the long run to purchase the stocks at their current levels. However, they may go even lower, and it is better as a permanent investor for you to wait than to incur the risk of having your money tied up. If you wait, you will at least have the satisfaction of knowing that you can buy stocks with more assurance as to the future.

We are inclined to the opinion that a favorable decision to labor on the Adamson law has been discounted in the present prices of the railroad stocks. These stocks may not have discounted an unfavorable decision to labor, however, since such a decision may precipitate a strike and further complications.

Baltimore & Ohio

M. W., Fairport, N. Y.—Baltimore & Ohio is now showing slight gains in its earnings. The road, however, is faced with many uncertainties and will probably continue for a long time to come, to feel the effects of higher material and labor costs and necessarily larger outlays for maintenance and upkeep. In the past the road has skimped on its maintenance charges and in order to bring it up to efficiency, the outlays must be unusually heavy in the immediate future. The road is earning its dividend by a fair margin and there does not seem to be any reason to apprehend that the 5% rate will be reduced under anything except extremely unfavorable conditions. Under the circumstances we do not suggest a purchase of more of the stock, but recommend that you hold the stock you have until a more favorable time to liquidate.

Midvale Steel

S. S., Philadelphia, Pa.—Midvale Steel has been stimulated by the issue of its annual report showing a remarkably strong financial position and earnings last year of about $16 a share on the stock. The report showed working capital equal to over $30 a share. Nevertheless, we favor Midvale Steel far less than some of the other steel issues. The big point to consider about the stock is that it was heavily distributed to the public at very much higher prices, and if there is any advance in the stock, such an advance is likely to encounter liquidation by people who are waiting to get out. It has been shown that had the company not taken over the Cambria Steel Company, its capitalization would have not been justified. It is doubtful if it is even now justified, for with a return to normal conditions or a period of depression in the steel industry, we question whether the Midvale Company can maintain its dividend at the rate of $6 per annum. We favor the stock far less than Lackawanna, Republic Iron & Steel or United States Steel.

International Mer. Marine

H. S., Boston, Mass.—International Mercantile Marine is a stock of which it is almost impossible to express any definite opinion owing to the many complications in the situation. For the immediate future, however, the factors which are likely to influence the stock, would seem to favor lower prices. Chief among these is the improbability that anything will be done regarding dividends for some time to come, and while insiders have unloaded their holdings at very much higher prices, they have shown no disposition to take back their stock around the current level. We hardly think that accumulation of the stock will begin again until there is something definite in view as to the settlement of the dividend question and until accumulation starts, we can see no reason for an advance in the stock of any substantial proportion. On the whole, we look to see it sell at lower levels. There may eventually be developments, of course, which would justify the stock in selling back to its former high level, or even above its former high level, but unless you are prepared to carry your stock at a further decline, you may find yourself in a very uncomfortable position, to say the least.

National Biscuit

H. A. I., Greenwich, Conn.—National Biscuit is selling at a very reasonably low level and at this price may be regarded as a conservative investment stock. This company is one of the most efficiently managed organizations in existence. It has paid dividends for years. In 1916 earnings covered the dividend requirements by a very large margin. The stock has simply sold down in sympathy with the decline in the rest of the market and we are inclined to think that it is now scraping bottom, barring unexpectedly adverse developments, affecting its affairs.

N. Y. Shipbuilding

W. B., Pittsburgh, Pa.—New York Shipbuilding has very attractive possibilities. The company is backed jointly by the American International Corporation and W. R. Grace & Sons. With such backing, its ultimate success is assured. The company has large orders on hand and the fact that its facilities are among the best of any shipyards in the Country, make it certain that it will benefit by any activity in the shipbuilding industry. Owing to the large amount of shipping that has been destroyed since the war, it is admitted by all experts practically that there will be a huge demand for new shipping for many years after the war. However, this company was recently recapitalized and it is not yet possible to get a definite line on its earning possibilities. We are inclined, therefore, to favor more such a stock as Cramp Shipbuilding, quoted now around 80 bid, 90 asked. This company is the oldest shpibuilding company in the United States. While it has not paid dividends in recent years, the management has used practically all surplus money in the building up of the property, which as a consequence has been brought up to a high state of efficiency. The stock has a known record of earnings which would justify the payment of substantial dividends and we think that sooner or later it will go on a liberal dividend paying basis. On its intrinsic merit and prospects Cramp should sell much higher.

Willys Overland

A. K. S., South Hadley, Mass.—Willys Overland appears to be selling reasonably low and in view of the fact that the general tendency of the market is upward, it might prove a desirable purchase for not too long a pull. The Willys Company is likely to do a big business this spring and if market conditions are favorable for an advance in stocks generally, the motor issues, we believe, should come in for considerable notice. For a long pull, however, or as an investment, we do not recommend the stock. The unfavorable factors in the situation for the Willys Company and others are the rising cost of material and labor and increased competition. The high tide of motor stock earnings has probably been seen. On any substantial rally in the stock it would be advisable for you to liquidate it, unless there are subsequently changes in the situation which are distinctly favorable to the company. We cannot, of course, foresee what developments may take place within the next three or six months, but the outlook now does not appear encouraging for the motor stocks after that period.

Co-operating With Your Broker

The Broker's Statement—How It Should Be Checked—Short Accounts, Interest and Dividends

By LAWRENCE S. RENZER

PART 2

THE writer is not guessing when he states that 90 per cent. of the men and women who have speculative accounts do not know how to prove their monthly statements from the broker, or, if they do know how, they are careless in checking the statement. Not one of these careless customers would permit a tradesman's bill to be paid without going over it carefully, but the same element of risk on account of errors enters into the broker's statement as well as the tradesman's. Nearly all accounting in some one or more phases is subject to possible errors and all brokerage firms use the form of "Errors and Omissions Excepted" when rendering a statement.

The Simple Form

There is no universal form of statement rendered by brokers, but all the forms used can easily be reduced to the fundamental elements: Cash credits or debits, Purchases and Sales, and Interest. The form shown with this article combines all the three fundamentals. John Jones deposited $1,000 and also received a dividend from his Steel com.: these are the cash transactions. He purchased Steel and Anaconda and sold part of his Steel and Anaconda: these are the purchase and sale items. He was charged interest, which completes the fundamental possibilities of a Long Account. Put yourself in Jones' place and check up the statement.

The first item, a credit of $1,000, was put up as margin. This is to be checked with the customer's memory or his check stub. The second item, the purchase of 100 Steel at 108, must be examined. The commission is $12.50 and the total proves to be correct for the debit side. The third item is a credit of a cash amount of $300, which is a dividend on 100 Steel com. For convenience, we will permit Steel to be ex-dividend and payable the same day. Jones must find out that Steel paid 3% and be sure he received $300 credit. Then there is a sale of 50 Steel, which is a credit. The sale is at 106 and the commission of $6.25 and also $1 New York State tax is to be deducted from the total credit, which was $5,300. In the next instance Jones purchased 100 Anaconda, to which $12.50 commission must be added, and later sold this Anaconda at 83⅛. On the sale the $12.50 commission is to be deducted and Jones must find out the par value of his stocks, which will show him that since Anaconda is only $50 par value, the New York State tax to be deducted from his credit is only $1 and not $2, for the tax is based at the rate of 2 cents for every $100 per value of stock or fraction thereof.

There is left, to check, the item of interest. Nearly all brokerage bookkeeping is based on the 6% method for convenience of the bookkeeper. This is later reduced to the rate which is to be charged, whether 2, 3 or 4%. A simple and easy proof for Jones is to multiply the principal amount by the number of days between the day the debit or credit originated and the last day of the same month, then mark off three places from the right of the total and divide by 6. This result is 6% of the item. On the example shown the difference in favor of the debit side of interest is $23.28. The broker charges Jones 3%, so that he is debited one half of the amount at 6%, or $11.64. Jones will then add up both sides of the account to find if it is properly balanced and also add the amount of stocks purchased and the amount sold, to balance these. Finally he will check the money and the stock brought down for the next month.

Short Accounts

The average brokerage firm separates "Short Accounts" from "Long Accounts." There are some who do not do

this and the customer should request that the two accounts be kept separate and two statements rendered monthly instead of one statement. The broker, as a rule, will allow a credit interest on margin deposited for a short account, but does not allow interest on the credit balances. However, when a short account reaches very large proportions, sometimes the broker will allow the customer a share of the interest which the broker gains from lending the money to borrow the stock for the customer.

There are times, also, when the broker will charge 4% or 5% interest on a Long Account, but only allow 2% interest for margin deposited for a Short Account. There are also instances where brokers charge the prevailing average interest rate for the month on debit balances but only allow the customer 2% on credits on the theory that small amounts cannot be loaned out at a good rate. The customer has a perfect right to object to such a method and may insist that all margin be deposited in his Long Account and credit be given at the same rate as the charge. If the customer has two accounts, Long and Short, no item of interest will appear in the statement of the Short Account. It is the best plan for the customer to have his broker divide the accounts as designated. The confusion of the lay mind in checking is thereby avoided.

The February 3, 1917, issue of THE MAGAZINE OF WALL STREET contained an article on interest charges which is an excellent guide for the customer, in connection with the rate, and it is the customer's duty to find out why a certain rate of interest is charged, if he has any doubts as to the propriety of his broker's charge.

Dr. John Jones Long a/c — IN ACCOUNT WITH JOHN SMITH & Co. — INTEREST 3%

Date				Price	Amount		Days	Int. 3%		Date				Price	Amount		Days	Int. 3%	
Mar	3	100	Steel com.	108	10,812	50	28	50	46	Mar	1		By check ...		1000		31	5	16
"	5	100	Anaconda	81	8112	50	26	35	16	"	4		" dividend 100 Steel		300		27	1	55
"	31	10M	St. Paul cv. 4% J-J	105	int. 100 10,512	12 50	—	0		"	4	50	Steel com.	106	5292	75	27	23	81
			Int. at 3%		11	64				"	8	100	Anaconda	83¼	8299		23	31	81
													(By Int. Bal)					22	20
													By Balance		14665	82			
												50	Steel com. long		—				
												10M	St. Paul cvs 4% long		—				
		300			29357	27		85	61			300			29,557	27		86	61
Apr	1		To Balance		14668	52													
		50	Steel com. long																
		10M	St. Paul cv. 4% long																

the end of the second month, is based on the debit of $12,060. Thus the interest is compounded twelve times a year. If the customer had borrowed this $12,000 at his bank on a year's note there would be but one interest to compute. A great many customers, therefore, find it convenient to pay the interest charge each month, thus saving the interest on interest. If the customer retains a credit balance less than $500 with his firm and the account is not active; that is, if no purchases or sales are made, the law prevents the broker from allowing any interest whatsoever.

Compounding the Interest

The broker renders the customer a statement at the end of each month. If the customer has a debit balance of $12,000 the interest at 6% for the first month will be about $60. This is added to the debit balance and the interest charge, at the end of the second month, is based on the debit of $12,060.

Watching the Dividends

All dividends accruing on stock purchased belong to the customer and not to the broker. The broker is also liable

for these dividends. But, to be on the safe side, the customer should find out as soon as a stock is purchased, how much it pays in dividend, when the books close (the company's books) for payment to stockholders of record, and the date the dividend is paid. When the monthly statement is rendered, part of the checking should be to determine if the customer has been credited the dividend in full and on the proper date. If the customer is "short" stock he must be charged with the dividend, for it belongs to the individual from whom the stock is borrowed. It is necessary here also to be certain that the charge is a correct one.

If the dividend accruing to the customer comes from a foreign corporation such as the Canadian Pacific Railroad Co. or the Dome Mines Co. Ltd., the broker is forced by the Income Tax law of this country to deduct 2% from the amount unless the customer furnishes an ownership certificate claiming exemption under the tax law. For the ordinary U. S. citizen desiring to claim such exemption the form of certificate, number 1000B, is used, and for the firm, 1001.

Checking the Bonds

Bonds purchased or sold for the customer offer the greatest difficulty. These should be checked for errors very carefully. Unless otherwise specified, bonds are sold "with interest." The customer who buys a bond with interest due on April 1 which is purchased on March 1 pays interest to the seller from the preceding interest date, which is likely to be in this case Oct. 1. The customer is then entitled to the full coupon due on April 1. No coupons will be cashed without an ownership certificate and it is the duty of the customer to provide his broker with such ownership certificate before the date of April 1.

The extension of the charge for the purchase may easily be proved by figuring the interest at the bond rate from the previous period of payment on the 30 days a month basis. Usually the broker itemizes his interest in the statement. If he does not do this the customer should insist upon it.

Customers must make certain that they are not charged interest on When Issued trades. The broker has simply given a contract for this class of purchase and no money passes unless the price on such purchase falls rapidly, when the broker, who purchased, may be asked to deposit margin covering such difference in price with a trust company. In this case the customer is properly charged with interest on the amount so paid.

The customer should ask about the loaning rates for stocks which he is carrying in his account. If such stocks should loan at a premium—that is, if the demand for borrowing is so great that the borrower is willing to pay a bonus—the customer is entitled to such premium or bonus. This item should be credited to him on his statement and it is possible to check it by estimating the number of days the stock loaned at a premium and multiplying by the premium rate. Thus if New Haven loaned at a 1/16 premium for 5 days the credit to the customer should be 5 times $6.25 or $31.25.

Another item to investigate is charge for collection on out-of-town checks. The Federal Reserve system now has a definite charge for every locality and it is very easy to get such a list of charges from the bank where the customer's account stands and check it against any such charges appearing on the statement.

The very first thing for a neophyte in the business to do is to have his brokers explain every item of the statement. And it is not only errors of commission, but errors of omission, which may cause trouble. Therefore the customer must fortify his knowledge by a thorough knowledge of the business before entering it. The knowledge of the par value, dividend rate and dividend date of all stocks dealt in, the knowledge of the why and wherefore of the interest charge, the certainty of the commission charges on the Stock Exchange, Curb and Unlisted departments—all these are part of the customer's necessary education. It is better to get this education first hand, by inquiry, than to get it by experience and monetary loss.

(To be Continued)

Charts—Their Use and Abuse

Danger in Charts—Proper Use of Graphics—Chart Equipment and Chart Indications

By R. L. BURDICK

VARIOUS financial writers have had much to say on the subject of charts, both in these pages and elsewhere. A glance through the back numbers of THE MAGAZINE OF WALL STREET shows the great interest of the investing public in the various methods of keeping and using charts. Despite the wealth of material of a technical and informative nature which has been offered on this question, there still remains a considerable misapprehension as to the proper—and improper—use of charts in formulating one's market opinions.

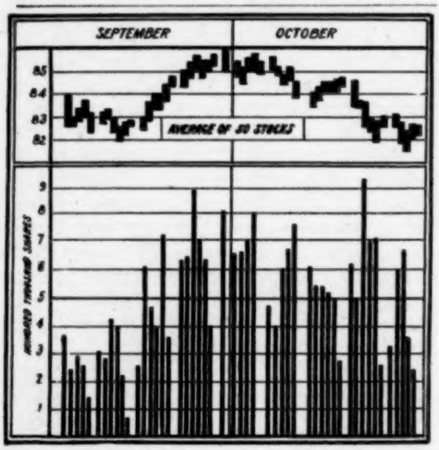


FIGURE I.

Chief among the points of misunderstanding is just how much value can be had from chart keeping and study, just how much reliance can be placed on the indications shown by graphics. It should always be borne in mind that a chart is merely a record, a sort of visual ledger on which is posted the transactions *after* they occur. And just to the extent that a ledger account is an indicator of the probable future entries that will be made, so is a graphic only a suggestive pointer toward probable future developments.

The main danger of dependence on a single chart or even a multitude of charts is the element of chance happenings, the ever present possibility of the unexpected. In very recent memory the sudden promulgation of a new submarine policy, a presidential address, and a peace note "leak" have made naught of the calculations of those who attempted to forecast the immediate market.

The Psychological Danger

Another of the dangers of graphic forecasting is psychological. It is a human trait to value an object largely by the amount of labor one expends upon it. As a chart keeper increases the detail and variety of his records he becomes the more obsessed by the belief in their occult power of forecasting the market, and the less he can consider them impartially as inanimate historical documents. When such a condition arises, charts become the master, not the servant, of the student.

Still a third danger is also due to a peculiarity of mental action. A common failing of the chart student is to interpret, unconsciously perhaps, every doubtful chart indication in favor of his desires. If, for instance, he has bought a security because he believes it due for a rise, he will be inclined to read his chart in such a way as to coincide with his wishes. Should his graphic show, for example, considerable detail of trading within a restricted range, he is strongly tempted to call this "accumulation" without regard to the fact that it might, indeed, have been "distribution" instead.

Proper Use of Graphics

On the other hand, there are a number of legitimate uses of graphic records which have been proven by experience and observation to be reliable. These I shall endeavor to explain in general, and with specific application to the several types of charts accordingly as space permits.

Primarily, a graphic can indicate the "trend." By this we mean the direction which the opinion of a large part of the investing public is following. Mob psychology, a subject not fully understood, has sufficiently demonstrated that a collective opinion, once well started in one direction by some one or group of favorable factors, will continue to move by its own momentum in the same direction, sometimes even past the point where the actuating factors cease to govern, unless the movement is deflected or reversed by the intervention of unfavorable or contrary factors of greater strength.

We can go even farther than this. Many of the causes, the prime factors, of a movement can be plotted and used as a basis for fore-judging the trend. This applies more particularly to the longer swings of the market. The more intelligent of investors, whose purchases and sales form the major part of stock exchange transactions (although they are not necessarily the majority of the investing public) are constantly studying these underlying factors and basing their market commitments upon them. Thus it is that a keen observer of the fundamentals can estimate the probable trend of opinion of the "larger interests," and anticipate, to some extent, the course of the market.

Yet another purpose of a chart is to show, by its history over a considerable period, the characteristic price movements which many securities have a habit of taking on under certain definite conditions. Should the same or similar conditions again appear, it is reasonable to expect similar characteristic action. And it is notable that no two securities behave in the market in an identical manner, no matter how closely allied they may be or whether they be equally active.

However, too much reliance should not be put upon this idea of forecast. It has value, of a relative kind, but should be confirmed by other influencing factors.

Chart Equipment

The charts which one should have would be determined by the character of one's operations. The active trader needs more than the long pull operator, who, in turn, needs more than the safety-and-income investor. The last class should have a "trend" chart and a "fundamental" graphic to show him the turning points of the market. Also, at the time he is about to buy or sell securities he ought to consult daily graphics of individual securities before making a decision on what and when to buy or sell. The two first mentioned graphics should go back over a period of several years.

The long pull operator should provide himself with a trend chart, and individual stock charts for a considerable period—at least a year—previous to the beginning of his operations.

The daily trader can use all of the

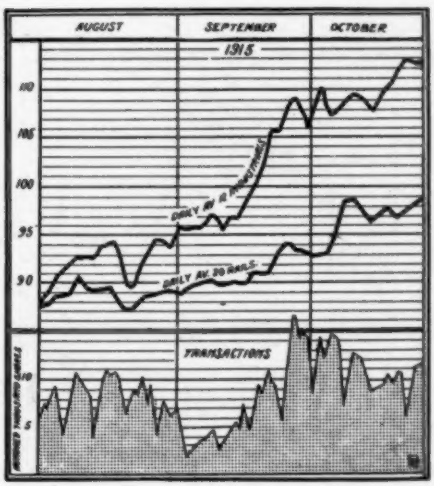


FIGURE II.

types of graphics enumerated above, and the trend especially, since it is upon his knowledge of the market status and the immediate prospect that he bases his action.

Chart Indications

1. *The Trend:* A chart showing the high and low prices and volumes of sales of some selected list of securities, such as the New York *Times* averages of 50 stocks, or the Dow-Jones Averages (Figures 1 and 2), is very useful in demonstrating two points; (a) the amount

of public participation in the market, and (b) the probable trend of prices. If a cycle is well advanced—that is, if the trend has been upward for some time and there are evidences of actively growing public interest in the market, as shown by volumes—the long term investor can readily see that he should bide his time until the cycle has been concluded and prices again approach the bargain stage before buying. A similar, but opposite, conclusion may be shown with regard to selling securities.

2. *The Fundamentals Chart*: On this chart are plotted statistics of business and financial conditions taken from the financial pages of the newspapers. Security prices, money rates, bond yields, business failures, commodity prices, etc., are advance indicators of market action, provided no immediate contrary news interferes with normal influences. When used in connection with the trend chart, it helps form conclusions as to whether an upward movement of prices is likely to prove to be a good bull market based on solid fundamental conditions, or merely a temporary rise due to some localized development.

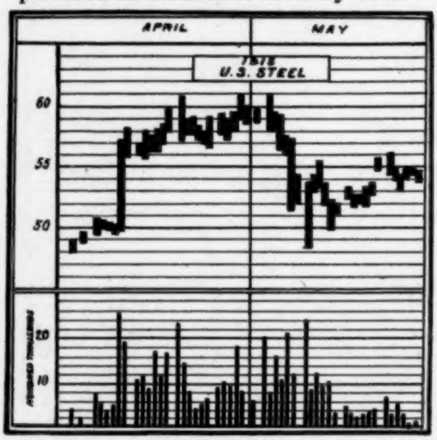


FIGURE III.

3. *The Individual Stock Chart:* This chart should be made up in such a manner as to show at a glance the daily high and low and the volume of sales for the day (Figures 3 and 4). The opening and closing prices can also be indicated. Used in connection with a good average "trend chart," such as that of the *Times* 50 stocks, these individual charts are valuable in that they show whether or not the stock in question is responding to the prevailing trend of the general market. For instance, if the trend chart of the average market gave unmistakable evidences of an upward tendency and the individual stock chart remained either passive or developed a contrary movement, the trader would naturally discriminate against such a stock in favor of one which exhibited a more ready response to the current market impulse.

Other valuable pointers may be had from the keeping and study of individual stock charts. Many stocks, when charted in the manner described above, show certain peculiarities of behavior, which disclose themselves to the student in return for patient application. As in the case of most graphics, the individual chart becomes of greater value to the student the longer it is kept up, and the more familiar he becomes with the manipulative tactics used by the controlling interests in the stock under observation.

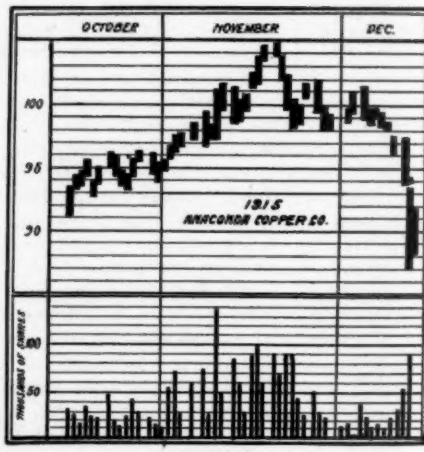


FIGURE IV.

4. *The One-Point Movement Chart:* Of all the earlier forms of graphic-recording used in the study of the stock market, the one-point movement chart is one of the most widely used. It is probably most familiar in the line-chart form, having been regularly published in that style, in a large variety of issues, up

until quite recently by an eastern firm of publishers. In the figure chart form, perhaps the older of the two, only full point movements are recorded, and only from full figure to full figure. In the line form, full figure moves are shown, also all moves of one point or more, and fractional stopping places are indicated. Each type of chart has its adherents among traders and students, and both are excellent when properly used. (Figures 5 and 6.)

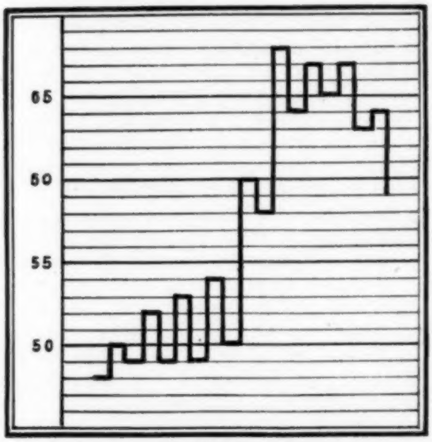


FIGURE V.

It is quite futile to attempt to lay down any general rules for the interpretation of indications given by the various formations which from time to time are encountered in the plotting of these two chart types. So many factors enter into the reading of charts that mere chart formations can mean one thing or something entirely opposite, according to the influencing factors. Chief among the latter are: the technical position of the market in general, and in the case of the individual stock in particular, the character of the participation in the market at the time and the temper of that participation towards the particular issue. For example, in case of the making of a favorable formation in a chart of U. S. Steel at a time when the public had been exhibiting a lively interest in Steel on account of record earnings and other favorable advertising for the issue, the indication would be liable to prove more profitable than a like indication or formation in a railroad stock at the present time, which, on account of the lack of public interest in rails as a medium for speculation, would be less likely to respond to manipulative activity.

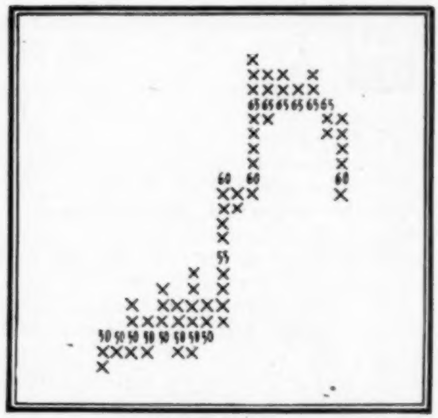


FIGURE VI.

If those who keep charts of price movement, or contemplate keeping them, will always bear in mind the true purpose of the chart, which is to provide an accurate and ever ready picture of past action, they will avoid many of the dangers which beset "chart reading." The chart, properly kept, is an aid to market judgment, and never a substitute for it. Money is made in the market by those whose judgment is more often right than wrong and if one finds after a reasonable amount of experiment with the keeping of charts that they are a means of assistance in reaching correct conclusions, he would be foolish, indeed, if he did not continue to avail himself of their use. Their value, then, depends altogether on the individual.

BONDS AND INVESTMENTS

Investment for Safety and Income

Redemption and Sinking Fund Bonds—Investments for Trust Funds—Hints for Those Who Wish to "Play Safe"

By RICHARD H. TINGLEY

PART 2

MANY issues of bonds of the first mortgage type or otherwise often carry the redemption feature. This is a precaution taken by the issuing company against future prosperity. The redemption clause in the mortgage provides that, at certain specified times, prior to maturity, the bonds may be called in and cancelled by paying their face value, interest and a certain stated bonus. As this bonus is usually quite attractive, often five or ten points above par, such bonds often command a better price in the market than issues that do not carry the redemption clause. The redemption feature is more conspicuous in mortgages for its presence than by its absence. It costs nothing to insert the clause and it is well known that the value of the bonds is somewhat enhanced thereby. It does not bind the company in any way but leaves it free to exercise its provisions if desired. Except in the case of industrial or other non-regulated companies or railroad or public utility companies, that are compelled by the sinking fund provisions of the mortgage to do a certain amount of redeeming, the redemption option is seldom exercised.

A wise provision in any mortgage forming the basis of a bond issue is a sinking fund. This is accentuated in the case of timber, coal or other mining bonds where material that cannot be replaced is constantly being removed from the property. In any type of mortgage, however, a sinking fund clause should add greatly to its stability and to its market value, and it is unfortunate that there are so many outstanding issued in the hands of the public that do not contain this clause. In the absence of this provision the holder of a bond has no really substantial guarantee that the face value will be paid to him at maturity, although he clearly reads in the text that this will happen. Custom and past experiences have apparently demonstrated that it is not necessary to actually provide for cash redemption at maturity, and although the issuing company, in contracting with the prospective purchasers of the bonds at time of drawing the mortgage, and with the trustee under same, solemnly promise to do this, it makes no provision to comply and does not intend to do so, it being tacitly understood all around that new bonds will be offered (and taken) to replace the old ones as and when they mature. Although this has become a common practice and is countenanced on all sides, many economists deplore the fact, claiming that predictions as to future conditions so far ahead, often forty, fifty or more years away, are dangerous, and that the practice should not be continued. From an economic point of view, this contention is justified, yet in the case of a company executing a mortgage today, supporting an issue of bonds containing no sinking fund provision that will not mature for fifty years, it is calculated that it is the next generation that should worry about maturity payments and not the present investor. To judge by the willingness of the public to buy such bonds it would seem that the contention of the issuing companies was correct, although the principle may be economically unsound.

Although as an investment security bonds occupy a premier position, yet it is often difficult for a prospective in-

vestor to know just what he is buying or, rather, upon just what security or property the mortgage behind his bond rests. In case of a first mortgage an underlying lien, the task is easier, for everything that the company owns or may in the future acquire is included, and if adequate sinking fund clauses are found, and the past earnings of the property warrant, a quick decision can be reached. Such bonds, on the other hand, may be relied upon to produce a low yield, too low perhaps for many investors who feel the necessity of coping with the present high cost of living with a limited capital for investment. When bonds other than those based on a first mortgage are under consideration, particular pains must be used in examining the mortgage in order to know what is really behind the issue; indeed, to a layman the perusal of a mortgage instrument is beset with pitfalls and the services of an expert to interpret its verbiage is often necessary.

ILLUSTRATION OF YIELDS

As illustrating the fact that the first mortgage bonds of any company command a better price with consequent lower yield, the following table is introduced:

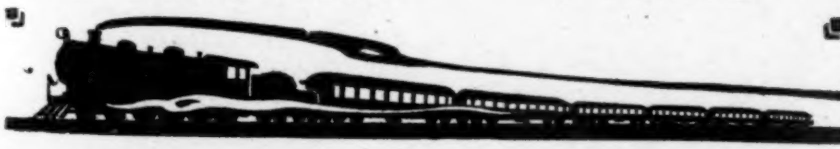
			Per cent.
Milwaukee Electric Railway & Light Co....	First Mortgage	Yield	4.60
	Refunding and Extension Mortgage..	"	5.10
	General and Refunding Mortgage...	"	5.50
Detroit Edison	First Mortgage	"	4.70
	First and Refunding Mortgage.......	"	4.90
Baltimore & Ohio	First Mortgage	"	4.20
	General Mortgage	"	4.90
Union Pacific	First Mortgage	"	4.00
	Convertibles	"	4.40
	First and Refunding Mortgage	"	4.30
Third Avenue Railway	First Mortgage	"	4.80
	Adjustment Income	"	6.25
Chicago, Milwaukee & St. Paul R. R.......	First Mortgage	"	4.10
	General Mort., 3½s, 4s, 4½, ...	Yield	4.30 to 4.70

Legal Investments for Trust Funds

To a timid investor, or to one not well versed in the intricacies of legal language, or to one whose first desire is to "play safe," he can do no better than consult the lists of bonds that have been passed upon as legal investments for savings banks and for trust funds in the various states, particularly in New York and Massachusetts. Such lists are readily obtainable, and if followed the investor need never lose any sleep in consequence, unless it be by reason of the low yield that is sure to result. By following this list, however, many most excellent and long proven bonds will be passed by, as it will be found to contain, as in the case of New York State, none of the bonds of public utilities or industrial companies. Of the railroad, state and municipal bonds that have been allowed a place in this "preferred" list, much careful discrimination has been resorted to, though railroad bonds, other than those resting on first mortgages, have found a place therein.

The next article in this series will be devoted to an analysis of railroad investment bonds when placed in comparison with bonds of other classes, and a discussion of the railroad situation generally, in an endeavor to learn what the future may have in store for the "rails," and why these securities have been lagging in a time when the investments offered by other corporations have been in such great demand.

(To be continued)



Investment Offerings

[Under this caption we will publish from time to time a list of what we regard as conservative investment offerings by firms of unquestioned reliability. These securities will be of the type that should interest investors who regard safety of principal as the primary consideration in making their commitments.—Editor.]

PIERCE-ARROW MOTOR CAR CO., $10,000,000 8% Cumulative Convertible Preferred Stock. Preferred as to assets as well as dividends. Redeemable in whole or in part, at option of the company on any dividend date on sixty days' notice, at 125 and accrued dividends. Quarterly dividends payable on the first days of January, April, July and October. Offered by J. & W. Seligman & Co., New York City.

SINCLAIR GULF CORPORATION, First Lien Ten-year Convertible 6% Gold Bonds, dated March 1, 1917, due March 1, 1927. Interest payable: March 1 and September 1. The bonds offered are part of a total authorized issue of $20,000,000, the balance being issuable only to the extent of 70% of the cost of betterments and additions. Callable as a whole or in lots of not less than $1,000,000 (or in any part through the Sinking Fund) at 110 and interest, upon sixty days' notice. Exchangeable at any time into stock in the ratio of $70 face amount of bonds for one share of stock without par value. Offered by Kissel, Kennecutt & Co., 14 Wall Street, New York City, at 99½ and accrued interest.

MERCHANTS REFRIGERATOR COMPANY, First and Refunding Mortgage 6 Per Cent. Convertible Gold Bonds, dated January 1, 1917, due January 1, 1937; authorized $3,500,000, issued $2,000,000. Convertible into 7% preferred stock for a 9½ year period, beginning January 1, 1919. Interest payable January 1 and July 1, without deduction of present Normal Federal Income Tax. Offered at 100, and interest, yielding 6% by Hayden, Stone & Co., New York City.

DENVER GAS AND ELECTRIC LIGHT COMPANY, $1,500,000 6 PER CENT. Cumulative Preferred Stock. Proceeds from the sale of this issue will be applied to the retirement of the $900,000 outstanding bonds of The Lacombe Electric Company, a predecessor company, and for extension and improvements to the property. Dividends payable monthly on the first to holders of record on the 15th of the preceding month. Par Value $100. Callable on 30 days' notice at 110. Preferred as to both assets and dividends, with full voting rights. Offered by Henry L. Doherty & Co., 60 Wall Street, New York City, at the price of 95 plus accrued dividends.

ALABAMA GREAT SOUTHERN RAILROAD, First Consolidated Mortgage, 5% Gold Bonds, $1,350,000. Dated December 1, 1913. Interest payable June 1 and December 1. Due December 1, 1943. Authorized $25,000,000; outstanding $4,312,000. The remaining bonds are reserved for the retirement of the prior lien mortgages, due 1927, for completing the double-tracking of the entire main line and for other improvements and extensions. Offered at price of 99 and interest, yielding over 5%, by Potter, Choate & Prentice, 5 Nassau Street, New York City.

SOUTHERN RAILWAY COMPANY, $25,000,000 Two-year 5% Secured Gold Notes. Dated March 2, 1917; due March 2, 1919. Interest payable March 2 and September 2 at the office or the agency of the company in the City of New York. Redeemable, in whole or in part, at the option of the company, at 101 and interest, upon sixty days' published notice. Coupon notes in denominations of $1,000, $5,000 and $10,000, registerable as to principal only. Offered by J. P. Morgan & Co., New York City, First National Bank, New York City, and the National City Company, New York City.

DOMINION OF CANADA WAR LOAN, Issue of $150,000,000 5% Bonds maturing 1st March, 1937. Payable at par at Ottawa, Halifax, St. John, Charlottetown, Montreal, Toronto, Winnipeg, Regina, Calgary, Victoria and at the Agency of the Bank of Montreal, New York City. Interest payable half-yearly, 1st March, 1st September. Principal and interest payable in gold. Issue price 96. A full half-year's interest will be paid on 1st September, 1917. The proceeds of the loan will be used for war purposes only. Offered by Geo. S. Fox & Sons, 43 Exchange Place, New York City.

Credit

"To use one's credit in business may be a wise and profitable investment, but to live on credit, and thus wear it away, is always dangerous. A man should live on what he earns; and invest his credit only after careful investigation, and when his best judgment convinces him it will be safe, and likely to yield a profit."—*The Wall Street Journal.*

Bond Inquiries

Interborough 4½s

L. R. B., New York City.—Interborough Rapid Transit Collateral 4½s are indeed in a less favorable position than the St. Louis & San Francisco Prior Lien 4s, Series A, and while we would suggest that you liquidate your Interborough holdings on any good rally, from present levels we do not think it advisable, in view of the uncertainties in the foreign situation and the pending Government loan, for you to reinvest in anything else at the present time. By waiting you may be able to buy high grade bonds on a much more advantageous income basis, and at all events you should be able to buy them with more assurance as to the market outlook.

St. Louis, Iron Mountain & Southern 4's

J. S., Auburn, N. Y.—St. Louis, Iron Mountain & Southern Unifying and Refunding 4s and St. Louis, Iron Mountain & Southern River & Gulf Division 1st 4s are bonds which we should class as fairly conservative business men's investments. They cannot be ranked among gilt-edged bonds, but if the operations of the company in the future prove as satisfactory as is indicated by the results of the recent past, the position of these two issues should improve substantially and eventually they should be established among the higher grade bonds.

Amer. Tel. & Tel. 5s

N. A. S., Brookville, Pa.—American Telephone & Telegraph Collateral Trust 5s are a very attractive and conservative business men's investment and we do not hesitate to recommend them, provided you are purchasing for safety and income only.

Public Service of N. J. 5s

D. R. R., Glen Gardner, N. J.—Public Service Corporation of New Jersey General Mortgage 5s are a direct obligation of the company and secured by mortgage on all its property, franchises, leaseholds, etc., now owned or hereafter acquired, subject to $20,047,770 actual interest bearing certificates on a portion thereof. These bonds are further secured by a deposit with the trustee of various bonds and stocks of subsidiary companies. They are protected by a wide margin of safety in earnings and there appears to be considerable equity back of them, in view of which a good rating is justified.

High Grade Issues

M. C., Elmhurst, L. I.—The following bonds are exceedingly high grade issues:

Baltimore & Ohio, Pittsburgh, Lake Erie.
Northern Pacific General Lien 3s.
Seaboard Air Line 1st 4s.
Central District Telephone 1st 5s.
California Gas & Electric Unifying 5s.
American Gas & Electric 6s.
Southern Pacific Convertible 5s is a very high grade bond, but it is hardly suitable for a widow. Pacific Gas & Electric 5s are not in quite as strong a position as the bonds in the first list we have given you, but the risk is so slight that it would be all right to include them in a diversified investment.

The following in your list are bonds which we would not recommend for such an investment as you are considering:

Virginia-Carolina Chemical Debenture 6s.
N. Y., N. H. & H. 6s.
U. S. Rubber 1st & Refunding 5s.

The margin of safety is determined by the average margin of earnings over dividend requirements for a certain period of years.

Gila Valley & Globe Northern 5s.

M. P. A., Revere, Boston.—Gila Valley & Globe Northern 1st Mortgage Gold 5s is a high grade bond. The strong position of this issue is attributable to the large margin of safety shown and to the fact that the Southern Pacific Railroad guarantees principal and interest.

City of Sao Paulo & Va. Ry. 5s

A. F. T., Montpelier, Ohio.—City of Sao Paulo Bonds appear to be very attractive. especially the shorter maturities. Of course there is a certain element of speculation in the bonds, particularly those of the longer maturity, but if you are looking for high yield and are willing to take a slight risk, we could recommend a purchase of this issue.

While the present is not a good time for permanent investment, either in bonds or stocks, owing to the uncertain foreign situation, we recommend the following issues as possessing a high degree of safety as to the principal and interest, and at the same time yielding 5% or over.

Virginian Railway 1st Mortgage 5s, due 1962, approximate price 98½; Baltimore & Ohio Refunding & General 5s, due 1995, approximate price 100; Montana Power 1st & Refunding Mortgage 5s, due 1943, approximate price 100; Texas Company Debenture 6s, due 1931, approximate price 105.

Minn. & St. Louis 4s

K. B. A., Santa Barbara, Cal.—Minneapolis & St. Louis 1st & Refunding 4s is a very speculative bond. These bonds are covered by a first mortgage on a part of the company's lines and by a general mortgage on the lines. The capitalization of the Minneapolis & St. Louis was radically readjusted during the fiscal year ended June 30, 1916. The bonded debt was increased, as was also the capital stock, and at the present time the net capitalization as measured on the mileage basis is far higher than ever before. The earnings of the company, however, have grown so substantially that in the year just closed the net income was maintained well above the average for the decade.

PUBLIC UTILITIES

Commonwealth Power Railway & Light

The Coal Shortage and Its Effects—Growth of Company—Position and Prospects for Its Securities

By BARNARD POWERS

THE way of the public utility is not easy. Between the vicissitudes of nature on one hand, such as storms, floods, cold weather, etc., and the vagaries of mankind on the other as expressed in terms of strikes, demands for lower rates, commission oppression and the like, the average public utility, outside of its legitimate business of supplying the consumer with light, heat, power transportation or what not, manages to keep as busy as the proverbial one-armed paper-hanger.

Development Under Way at Manistee Jc., Mich., to Produce 22,000 H. P.

The Commonwealth Power Railway & Light Company is no exception. Its last year while financially the most successful in the company's history, was nevertheless beset with vexations. The coal shortage problem, for instance, was a serious one. As showing what the high price for fuel means to a power company which generates by steam the example of one small subsidiary whose monthly gross income is in the neighborhood of $40,000, is illustrative. In one month alone this company's coal bill jumped $12,000 over the same month the year previous.

In the case of the hydro-electric plants of the Consumers' Power Company, Commonwealth's most important subsidiary, the extremely cold weather which prevailed in the State of Michigan in January impeded operations to such an extent that notwithstanding the factor of an additional hydro-electric unit in operation, the hydro-electric output for the month was smaller than for the same month a year preceding.

The column in Table I which gives January's earnings and shows a 28.10% increase in operating expenses gives an idea what havoc the coal situation has wrought. Under an old law the railroads have a right to commandeer coal shipments for their own purposes. Such coal is paid for by the railroads by negotiations with the mining companies. Thus if a public utility company does not get its expected supply from the

mines with which it has a long term contract at, say, $1.10 a ton, it not only loses any profit on the re-sale of its coal but also has to make the shortage by purchase in the open market. This explains the large increase in Commonwealth Power Railway & Light's January operating expenses.

Table II shows the income results for the year ended December 31, 1916, as compared with the same period for 1915. Gross earnings represent a very handsome increase which were to some extent offset by the increase in operating expenses. Notwithstanding, the net income available for dividends showed a very considerable gain and the balance for the common stock of 8.79% compares favorably with the 7.42% shown in 1915, and is the largest since the company's incorporation in 1910.

In the August 5, 1916, issue of this publication the Commonwealth Power Railway & Light Company was analyzed by the writer and the essential facts in connection with its organization and holdings were mentioned. There has been little change in the general makeup since that time. In order to crystallize the reader's idea of the position the company occupies it may be in order to recapitulate briefly.

This corporation is strictly a holding company and first saw the light of existence in 1910, being incorporated under the Maine laws. It controls directly by ownership the stock of ten companies and eleven others indirectly. The holding company is one of the largest in the United States and enjoys considerable diversity in the operations of its subsidiaries. The advantages of being dependent upon many instead of one class of public utility operations is obvious and furnishes one of the important reasons for the existence of the holding company. For instance, if untoward weather interferes with traction operations, the power and light income may be more than enough to make up for the loss, and if business in one community becomes dull through some special reason, the business of a distant community may show exceptional activity. The holding company is the embodiment of the idea of having many eggs in many baskets.

TABLE I.

COMMONWEALTH POWER RAILWAY & LIGHT COMPANY
(and its constituent Companies)
Earnings Statement for January and 12 Months Ending January 31, 1917

	January	% Inc.	12 Months	% Inc.
Gross Earnings	$1,617,718.57	14.93%	$17,172,773.44	16.38%
Operating Expenses	838,517.35	28.10	8,558,561.31	21.69
Net Earnings	779,201.22	3.48	8,614,212.13	11.55
Fixed Charges (see note)	522,896.73	8.19	5,975,848.80	10.92
Net Profits	256,304.49	*4.96	2,638,363.33	13.01
Dividend Preferred Stock	89,595.00	11.99	1,028,765.00	7.16
Balance	166,709.49	*12.11	1,609,598.33	17.09
Per Cent on Common Stock			8.656	

Note—Fixed charges include dividends on outstanding preferred stocks of constituent companies in addition to taxes and interest.

*Decrease.

Advantages of Diversified Operations

The diversity of operations plan enables the well managed public utility to show a very stable degree of growth. The fairly constant ratio of growth of the Commonwealth Power Railway & Light is one of the cheerful factors which tend to offset the many difficulties encountered. The constituent companies are located in Michigan, Ohio, Indiana, Illinois, Wisconsin and Kentucky. Their plants serve upwards of 1,000,000 per-

sons and the industries of the communities in which they operate are widely varied.

New Construction

In addition to railway lines completed during 1915 last year saw the completion of the fourth hydro-electric plant on the Au Sable River at Mio which has a capacity of 6,000 h. p. and which went into operation in December, 1916. A 22,000 h. p. hydro-electric station on the Manistee River is now being constructed and two additional developments of 12,000 h. p. and 9,000 h. p. respectively, on the Au Sable River. Additional steam turbines totaling 36,000 h. p. are being added to the electrical generating capacity at Grand Rapids, Battle Creek and Peoria which are expected to be completed by the end of the current calendar year.

The hydro-electric development is a key to the company's future. Water power makes a large consumption of coal unnecessary and the savings in operating costs are very considerable. The rivers in Michigan from which the Consumers' Power generates electricity have numerous water power sites and the best of these sites have been acquired by the company against the future. As the expansion of business demands, these sites are developed with the consequent increase in electric output with a minimum increase in operating costs. The same "head" of water which moves the turbines of one installation does service again and again as it moves on to the second and following installations. The extent of savings by hydro-electric generation over steam generation of power is indicated by the fact that as few as two men can take care of a hydro-electric plant.

At the present time the company owns about nineteen modern steam electric plants and eighteen hydro-electric plants. Of the installed generating capacity of approximately 200,000 h. p. which these plants possess, about 35% is furnished by the hydro-electric plants and 65% by the steam generating plants. There are over 1,200 miles of transmission lines of which 567 miles are steel tower lines and 633 miles are pole lines. The current carried varies from 10,000 to 140,000 volts.

Gas is furnished by the company to Bay City, Flint, Jackson, Kalamazoo, Manistee, Pontiac, Saginaw, Birmingham and Royal Oak, Mich.; Evansville, Ind.; Peoria, Springfield and Pekin, Ill., and Danville, Ky. The distributing system includes 923 miles of gas mains. In Battle Creek, Grand Rapids and Saginaw, Mich.; De Kalb, Pekin, Peoria, Springfield and Sycamore, Ill.; Evansville, Ind., and Springfield, Ohio, the company operates steam heating services.

The traction lines of the various companies serve Battle Creek, Bay City, Grand Rapids, Jackson, Kalamazoo, Lansing, Manistee and Saginaw, Mich.;

TABLE II.

COMMONWEALTH POWER RAILWAY & LIGHT'S EARNINGS FOR 1916 COMPARED WITH 1915

	1916	1915	Increase	Percent Increase
Gross Receipts	$16,962,606.54	$14,590,123.75	$2,372,482.79	16.26%
Operating Expenses	8,374,620.62	6,964,679.11	1,409,941.51	20.24
Gross Income	8,587,985.92	7,625,444.64	962,541.28	12.62
Fixed charges, including taxes and dividends on outstanding preferred stocks of sub. cos.	5,936,243.45	5,329,857.27	606,386.18	11.38
Net income, available for dividends, replacem'ts and deprec.	2,651,742.47	2,295,587.37	356,155.10	15.51
Dividends on Preferred Stock	1,019,170.00	960,000.00	59,170.00	6.16
Balance	$1,632,572.47	$1,335,587.37	$296,985.10	22.24
Per Cent. on Common	8.7%	7.0%		

Springfield and Rockford, Ill.; Evansville, Ind., and Janesville, Wis. In addition to these properties the company owns and operates interurban lines in Michigan, Illinois and Indiana. The mileage of the street and interurban traction lines is in excess of 864 miles of single track.

Capitalization and Funded Debt

Commonwealth Power Railway & Light has an authorized issue of $35,000,000 6% cumulative preferred, $17,919,000 outstanding and $25,000,000 common, $18,575,700 outstanding. The preferred has preference as to assets as well as dividends and is redeemable at the option of the company at 105 and accrued dividends.

There are $8,081,000 6% convertible gold bonds due May 1, 1918, which are a direct obligation (but not a mortgage) of the company. Last year the company earned its bond charges five times over and during the last four years has averaged its bond interest earned between four and five times over, so it would appear that the margin of safety of bond earnings is ample.

The preferred dividends of 6% have been paid regularly since incorporation, and the following tabulation shows the per cents earned on both preferred and common stocks since incorporation:

	Earned on Pfd.	Paid on Pfd.	Earned on Com.	Paid on Com.
1916	14.80%	6%	8.80%	4%
1915	14.35	6	7.42	4
1914	14.02	6	8.28	4
*1913	11.96	6	7.52	3
1912	19.48	6	6.74	..
1911	18.04	6	6.02	..

*Company enlarged and capitalization increased.

As seen from the above the preferred has never failed to earn its dividend approximately twice over and sometimes three times over in the last six years. At 80 it yields 7½% which is a good return for a security of this class. The common stock at 60 and paying 4% yields 6.6% or a lower return than the preferred stock.

Conclusion

The preferred stock, then, offers an excellent public utility investment for permanency and yield, with long range prospects of an increase in market prices. The common stock offers good long-pull speculative possibilities. The company is an expanding one, new capital will be required from time to time to extend its facilities, and it does not seem likely, therefore, that any change in the common dividend rate is likely to materialize in the immediate future. Nor is it likely that earnings will show any considerable gains until exigencies of the coal situation are removed, which should be within a few months. But with the development of the hydro-electric plants and increasing in demand for the company's products there is every reason to look for a steady increase in earnings. Table III is an interesting and official compilation showing how the company's stock was distributed on January 19, 1917. As time goes on it would appear that both the preferred and common stocks are likely to work into stronger investment positions.

The purchaser of this company's securities should regard them as in the long pull investment class and should look to their appreciation through the development of the company's properties.

TABLE III

DISTRIBUTION OF STOCK OF COMMONWEALTH POWER RAILWAY & LIGHT AS OF JANUARY 19, 1917.

	Preferred Stock		Common Stock	
	Number	Shares	Number	Shares
Men	1596	101,581	1407	85,509
Women	1760	48,618	1083	21,770
Estates	89	6,915	31	2,917
Firms and Companies	86	22,076	118	75,561
Totals	3531	179.190	2639	185.757

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth, as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.

Public Utilities	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	
Republic Ry. & Lt. com......	4	9.0	.....	.....	.....	.....	1.95	2.97	8.73	44	19.84	Increase over 1915 net $866,320.00.
United Lt. & Rys. com.......	4	8.0	.....	.....	.....	4.74	3.74	2.41	8.68	50	17.36	Much better business in view.
Am. Pub. Util. com..........	0	0.0	.....	.....	.....	5.85	4.69	3.83	5.35	35	15.28	Has acquired new properties.
Common Pr. Ry. & L. com....	4	6.9	.....	6.02	6.74	7.44	8.28	7.42	8.80	58	15.17	Large net earnings continue.
Third Ave. R. R. com.......	0	0.0	.....	.....	.....	4.25	3.78	4.19	5.98	40	14.95	Pays int. on inc. bonds. Traffic gain.
Pac. Gas & Elec. com.........	5	8.6	9.20	6.09	.....	2.84	7.78	10.48	8.57	58	14.80	Paying regular dividends.
Am. W. W. & Elec. 1st pfd...	0	0.0	.....	.....	.....	.....	.....	9.57	10.18	74	13.75	Earnings heavy.
Western Union Tel..........	5	5.3	5.60	5.38	4.01	3.24	5.38	10.19	12.50	94	13.30	Heavy cost for new construction.
Cities Service com...........	6	2.0	.....	8.18	7.01	11.31	14.66	15.27	36.74	292	12.58	New properties. Big business.
Con. Gas, Baltimore, com.....	8	6.6	10.09	8.76	13.12	15.27	11.43	11.56	13.89	120	11.50	Large earning power.
Laclede Gas com.............	7	7.0	10.02	8.52	8.40	8.16	8.20	9.24	11.21	100	11.21	Earnings normal.
Brooklyn R. T...............	6	8.9	5.58	6.82	8.28	9.17	7.14	7.40	7.53	68	11.00	Increase in wages, taxes and interest items.
Detroit Edison	8	6.1	6.93	8.22	7.84	8.34	10.52	13.68	13.72	130	10.55	January returns very good.
Kings Co. Elec. L. & P. com..	8	6.9	10.09	10.24	9.52	9.29	10.85	11.66	11.88	115	10.33	New bond issue.
Twin City R. T. com..........	6	6.6	7.22	7.25	7.44	8.69	8.05	6.83	9.22	92	10.00	Earnings better than usual.
So. Cal. Edison com..........	7	7.6	3.76	5.75	5.35	7.56	6.07	6.71	9.09	92	9.88	New stock issue soon.
Am. Light & Trac. com.......	10	2.8	27.63	27.79	26.05	25.09	22.32	24.62	25.66	355	7.23	$2,000,000 increase in surplus.
Consol. Gas of N. Y.........	7	5.8	7.17	8.89	8.91	8.50	8.40	9.29	8.67	120	7.22	Increase in gas oil prices.
Mass. Gas com..............	5	5.5	4.11	4.22	4.34	5.20	5.15	5.13	5.53	90	6.10	January increase in net 5½%.
Mackay com.	5	5.6	4.29	5.05	5.06	5.09	5.25	5.28	5.36	89	6.02	Increased dividend ¼ of 1%.
Peoples Gas Lt. & Coke.......	6	6.2	9.01	8.92	7.54	8.25	8.55	8.39	5.39	97	5.55	Heavy expenses; earnings reduced.
Pac. Tel. & Tel. com..........	0	0.0	0.66	1.03	0.63	1.87	1.89	0.56	1.25	29	4.31	Earnings about normal.
Elec. Bond & S. pfd..........	6	6.0	25.35	35.30	35.00	23.50	22.74	23.30	.....	100	23.30	Good business and earnings.
Adir. Elec. P. pfd...........	6	7.4	.....	6.60	5.50	2.50	5.15	11.87	.....	81	14.65	Expects to acquire new properties.
Northern States Power com...	7	7.0	.....	.....	.....	3.00	7.40	12.90	.....	100	12.90	Shows big gain in business.
Phila. Co., $50...............	3.50	9.2	3.90	5.30	3.80	3.11	3.03	4.31	.....	38	11.30	Bond redemption plan under way.
North Am. Co................	5	7.3	6.22	6.23	7.15	7.01	6.41	6.06	.....	68	8.90	Acquires new subsidiary Co.
Am. Gas & Elec. com., $50....	5	4.2	6.35	8.00	8.62	8.67	9.53	12.55	.....	118	10.63	New construction work completed.
St. Gas & Elec. pfd., $50.....	3	7.5	.....	3.85	7.39	3.19	2.63	3.15	.....	40	7.87	Increased 9.2% on output.
Am. Tel. & Tel. Co...........	8	6.3	10.34	10.01	9.86	9.59	9.38	9.52	.....	126	7.55	Cost heavy for new extensions.
Brooklyn Union Gas..........	6	5.0	9.88	9.95	9.19	5.42	7.20	9.54	.....	120	7.86	2% extra paid since 1912.
Am. Power & Lt. com.........	4	4.7	.....	.....	.....	6.01	5.24	4.21	.....	85	5.00	January business showed large increase.
Montana Power com..........	4	3.9	.....	.....	.....	3.13	2.42	3.73	.....	102	3.65	Larger earnings expected for 1916.

Companies which have not reported 1916 earnings are listed below companies which have reported such earnings.

Public Utility Notes

American Cities.—Income account for year ended December 31, 1916, of constituent companies shows gross earnings around $15,464,361 against $14,145,442 and surplus for dividends of $1,689,019 against $1,366,510. The report of the company proper showed surplus after charges and preferred dividends of $21,591 against $61,225 in 1915.

Bell Telephone of Canada.—Reports net earnings for 1916 of $2,469,242 against $2,221,985 in 1915.

Brooklyn Rapid Transit.—February gross is expected to show an increase of $125,000. Predicted that turn has been reached and that from now on earnings will show an upward trend with the result that the company will be able to continue the 6% dividend.

Cleveland Electric Illuminating Co.—Surplus after charges and preferred dividends for 1916 was $1,151,609 against $1,115,587 in 1915. Gross revenue for 1916 may be subject to an adjustment after the decision of the Ohio Public Utilities Commission in the case of electric light rates in Cleveland.

Columbia Gas & Electric.—For 12 months ended January 21, 1917, reports net of $5,499,150 against $4,415,903 in the previous year and surplus of $1,386,990 against $383,125.

Commonwealth Edison.—For 1916 earned net of $4,399,413 equal to 9.59% on $45,838,936 capital stock compared with 10.1% on the same stock in 1915.

Commonwealth Power, Railway & Light.—For 12 months ending January 31, 1916, showed a balance after preferred dividends of $1,609,598, which was a gain of 17.09% over the previous year and was equivalent to 8.6% on the common stock. There was a heavy increase in operating costs due largely to the high cost of coal owing to the failure of operated companies to receive deliveries on contracts because of car shortages.

Consolidated Gas of New York.—Has been asked to furnish the Public Service Commission with further information as to the disposition of proceeds from the sale of $25,000,000 convertible 6% debentures which the Commission authorized December 1, 1914.

Federal Light & Traction.—January surplus after charges was $43,886. For 12 months ended January surplus was $177,250 against $99,383 in the previous year.

Hudson & Manhattan R. R.—Has announced that interest on $33,000,000 adjustment income bonds will not be paid April 1. While gross earnings for 1916 were record breaking, increased costs of labor, fuel and supplies cut into net profits, and after appropriation of reserve of $340,000 there remained but $51,350 carried to surplus.

Interborough Rapid Transit.—Has declared regular quarterly dividends of 5% payable April 2. Gross earnings for the three months ending March 31, 1917, are officially estimated at $10,671,000, an increase of $1,045,221 over the corresponding quarter of 1916.

Mackay Companies.—Declared a quarterly dividend of 1¼% on the common stock, an increase of ¼% of 1% over the previous rate.

Montana Power.—For quarter ended December 31, 1916, showed surplus after charges of $1,066,911 against $701,715 in 1915.

Northern Ohio Electric.—For 12 months ending January, 1917, showed a balance after preferred dividends of $751,277, equivalent to $10.02 a share on the common stock.

Philadelphia Rapid Transit.—It is estimated will earn $2,500,000 in the current fiscal year ending July 30, equal to slightly over 8% on the stock.

Shawinigan Water & Power.—For 1916 year earned a balance after depreciation and taxes of $1,253,736 against $1,169,032 in 1915.

Third Avenue.—For 7 months ended January showed a deficit after charges of $1,327,926, compared with a surplus of $92,368 in the previous year. January gross was $69,383 more than in the previous year, but showed an improvement as compared with November. Net is also showing an upward trend.

United Gas Improvement.—For 1916 showed surplus after charges and preferred dividends of $2,829,095 against $2,759,184.

United Railroad of San Francisco.—Subsidiary of United Railways Investment Company, plan of the two protective committees for the 4% bonds of the United Railroad of San Francisco has been agreed upon and an amended reorgnization plan by which the holders of the 4% bonds will receive 66⅔% of the face value of their holdings in bonds of the new company, instead of 25% as under the former plan, and instead of 45% of 1st preferred stock will receive 8% and also 33⅓% in new common stock. This plan gives holders of the 4% bonds 108% of the face value of their bonds in new securities instead of 70% as under the first plan.

United Railways of St. Louis.—Missouri Supreme Court has held that Missouri Public Service Commission cannot compel company to seek franchise from city and cannot compel city to grant franchises, the Commission having only the right to regulate traffic operations and fares in streets on which franchises exist.

Wisconsin Edison.—For the 12 months ended January 1, 1917, earned a balance equivalent to $4.63 a share on the stock compared with $2.01 a share for the previous year.

Public Utility Inquiries

Amer. Tel. & Tel.

H. N. A., Hempstead, N. Y.—American Telephone & Telegraph is one of the highest grade public utility stocks available. At its present price it is not selling at an unreasonably high level, although the price might be affected in the event of serious developments in the foreign situation having an unfavorable influence on the general market. If you are holding the stock as an investment, for income, we suggest that you keep it and eventually you should realize a very handsome profiit on it.

Aurora, Elgin & Chicago

N. F., Buffalo, N. Y.—Aurora, Elgin & Chicago Preferred has been showing a considerable improvement in its earnings over last year and the outlook is considered promising. However, the consensus of opinion among stockholders at the annual meeting in October last was that the preferred dividend should not be resumed until the company's floating indebtedness and the maturing obligations could be refunded. If the current prosperity continues throughout this year, however, there is a strong probability that the preferred dividend will be restored. For the year ending June 30, 1916, the company made a very poor exhibit. Gross earnings fell off from $2,094,157 in 1914 and $1,968,137 in 1915 to $1,950,510. Net earnings for 1916, after the deduction of operating expenses and taxes, were $651,008, better by $42,218 than in the previous year, but still behind the 1914 earnings of $697,365. Owing to the omission of the dividend and cut in other accounts, the surplus after charges shows an increase over both 1914 and 1915, the figures being, respectively, $557,718 for 1914, $579,084 for 1915 and $733,171 for the current year. No traffic statistics are included in the report, so the causes of the decrease in earnings in the face of the general prosperity of the country are difficult to determine.

While the announcements of improvements on track and roadway, shops, substations, equipment, etc., seem to indicate a careful attention to the physical needs of the property, the statistics given of the actual value of the plant, equipment, franchise value and other essential capital items is so sketchy as to throw doubt upon any statements not supported by actual figures. It is also noticeable that the report does not contain any notice of certification by accountants.

Since you have held the stock for so long, it would probably be inadvisable for you to close it out at a loss now, and if you are willing to continue to tie up your money we suggest that you hold it, for the present at any rate.

Interborough Consolidated

K. T. C., Rosebank, N. J.—Interborough Consolidated preferred is now selling at a price which pretty well discounts a possible dividend reduction. The securities of the company have never been very popular, but notwithstanding, the common stock for a long time sold at an unjustifiably high level. No railroads of any kind are operated by the Interborough Consolidated Corporation. That company is a holding company owning stock in (a) Interborough Rapid Transit Co., operating the subway and elevated systems in New York City, (b) New York Railways Company, which owns a system of street surface railways formerly operated by the Metropolitan Street Railway Co.

The initial dividend of 1½% was paid on the preferred stock in July, 1915, and has been continued since. The earnings for the year ended December 31, 1916, were reported at 6.86 on the senior issue. The stock sold as high as 82 in 1915 and as high as 77½ last year. It is now selling around its low record price. Experts differ as to whether in the next three or four years the Interborough Corporation will be able to continue to pay 6% on its preferred stock, but they are pretty well agreed that after five years it can easily pay 6% and possibly earn a fair return on the common, therefore the stock appears to have certain points to recommend it to the speculative investor who is willing to tie up his money for a period of five or six years.

Northern States Power Preferred

N. B. T., Glen Cove, L. I.—Northern States Power Preferred is not a thoroughly seasoned security, but the company has had an exceptionally rapid growth in the past year or two. It is serving a very rich and rapidly expanding territory. The properties of the system comprise plants supplying electric light and power to approximately 100 municipalities in Minnesota, North Dakota, South Dakota, Wisconsin and Illinois, 11 communities being served with gas, 5 with steam heat, 3 with street railways and 1 with telephone service. The largest communities served are St. Paul and Minneapolis and Sioux Falls, South Dakota. The properties comprise 11 hydro-electric plants, a combined rating of 48,150 horse power; 15 steam-electric power houses, combined rating 74,362 horse power; 714 miles of high tension transmission lines; 1,169 miles of electric distributing system; 5 steam heating plants in connection with steam-electric stations; 9 miles of steam heating mains; 5 gas works with a daily capacity of 1,230,000 cubic feet; 185 miles of gas mains, and 15 miles of electric railway. In 1916 the company entered into a favorable 30-year contract with the Wisconsin-Minnesota Light & Power Co. for an ultimate delivery of 20,000 horse power of primary and 20,000 horse power of secondary power, to be taken from a large hydro-electric development now being constructed in Wisconsin.

Northern States Power Preferred dividends of 7% per annum seem to be very secure, although the margin of earnings for 1916 must be considered abnormal owing to the unusual prosperity and comparatively low operating costs.

MINING AND OIL

Standard of California

A Leader in Standard Oil Publicity—"The Public Be Pleased"—Remarkable Growth and the Outlook

By LOCKWOOD BARR

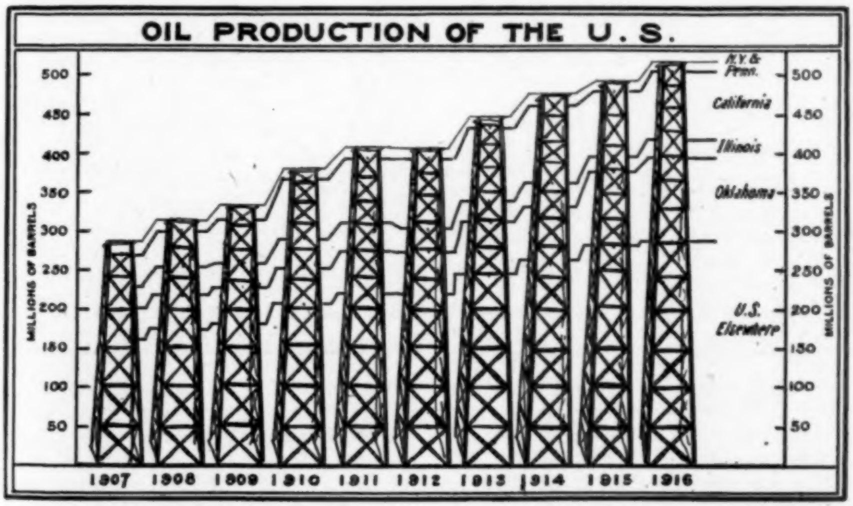
FIFTEEN or twenty years ago the usual coterie of Standard Oil magnates had seated themselves for luncheon at the head table at 26 Broadway over which Mr. Rockefeller used to preside. The subject under discussion was the investigation Government agents were making into profits of Standard Oil.

Plans were discussed to ward off the Government's suit for dissolution under the Sherman Anti-Trust Act, which every one present felt would ultimately come. The suit finally did come, and resulted, in 1911, in splitting the company into thirty-four separate parts.

A Prophetic Speech

"Mr. Rockefeller, may I suggest some plans?" asked the head of one of the subsidiaries, whose cleverness had helped to find a way out of many knotty problems which the Trust had solved.

"I suggest that the capital stock of the larger subsidiaries be increased to 100 million dollars, stock dividends be declared to the New Jersey Company, and the rate of subsidiary dividends reduced accordingly. The New Jersey would get the same amount in dollars. In turn the New Jersey should proportionately increase its capital from the present 100 million and the dividend rate reduced in corresponding ratio.



"By so doing, our capitalization would then more nearly represent a true measure of the value of our assets and earnings. Dividends and earnings based upon the increased capitalization would not appear so enormous to the public.

"An even better plan would be to go one step further after having effected this increase in capitalization of the subsidiaries. That would be for the New Jersey not to increase its capital, but to

declare as a stock dividend, or sell at par, to present New Jersey stockholders, the stock of the subsidiaries which the New Jersey would then hold.

"We are all one big family. The control of the majority of the stock of the subsidiaries as well as the New Jersey Company rests with us who are now breaking bread. After the stock dividends the control would still rest in our hands and we would continue to work harmoniously as we have in the past.

"No matter what plan we adopt, we cannot avoid the hostility and suspicion of the public until we abandon our present policy of secrecy. I therefore propose that we issue periodically a balance sheet and an earning statement or annual reports, following the practice now growing in favor with many other industrial concerns.

"In my opinion, this would ward off this impending suit and go a long way towards solving our present problem."

As may be imagined, the proposal was discussed but was not afforded a very cordial reception. That speech was, however, prophetic, for with slight modifications the plan of dissolution, which was followed at the mandate of the Supreme Court, was along these lines.

The increase in capitalization by the majority of the various subsidiaries and the big stock dividends came along in time, after the dissolution—and are still coming.

It is not recorded that any official of the Standard Oil of California was present at that luncheon, but it is a matter of record that the first of the subsidiaries to attain the magnitude of capitalization of the parent New Jersey Company was the Standard Oil Company of California, which is just cutting a melon of 33⅓% in stock, thereby raising the capital stock outstanding to 100 million. The Indiana Company has recently authorized an increase from 30 to 100 million, but it is not expected that all of the 70 million additional stock authorized will be issued at once. Consequently the only other subsidiary which now is comparable in point of stock capital with California is the New York Company, which has outstanding 75 million.

The growth of the oil industry on the Pacific Coast has been relatively slow, but at last appears to be coming into its own, and Standard Oil of California is now reaping the benefit of the enormous sums of money put into the development work. It is to all intents and purposes a complete cycle unto itself, being a transporter, a refiner, a marketer, and an exporter of oil in all its various forms.

"The Public Be Pleased"

California has the distinction of being

TABLE I.

STANDARD OIL OF CALIFORNIA

Comparison of earnings, after all deductions, available for dividends; earnings per share, dividends paid, surplus after dividends and final surplus.

Year Ended Dec. 31	Available for Dividend	Cash Dividend Paid	Surplus for Year	Total Surplus
1916	$17,605,304	$6,831,915	$10,777,389	$44,852,263
1915	9,529,946	4,968,666	4,561,280	40,290,983
1914	10,058,338	4,856,098	5,202,240	35,088,743

	Stock Outstanding	Earnings Available for Dividends	Cash Dividend Paid	*Stock Prices High	*Stock Prices Low
1916	$74,529,983	$23.62	$10	$387	$234
1915	49,686,655	19.18	10	398	270
1914	49,686,655	22.35	10	366	261

*The range of price in 1913 was 282 High, 162 Low; and in 1912 High 220, Low 130.

one of the first of the former subsidiaries to see daylight in the matter of publicity and has, to a large degree, taken the public into its confidence. Its magazine is a model of publicity and has developed into a valuable advertising medium and, therefore, an asset. The company's policy truly appears to be "the public be pleased." As a little illustration, the California motorists or the Eastern motor tourists are loud in their praise of the conveniences at their command from the innumerable Standard Oil of California gasoline and oil distributing stations located all over the Pacific Coast. As everyone knows, the Pacific Coast, with its marvelous roads, its wonderful scenery, is fast growing into the motorist's paradise, and credit is due in no small degree to the foresight and the vision of the California Company.

From the point of physical size and importance, the California Company is entitled to rank with the Standard Oil of New Jersey, the Standard Oil of New York and the Standard Oil of Indiana. The company has many friends who, in their enthusiasm, are inclined to give it a high rating compared with the parent company. In fact, it is so enormous, both physically and financially, that in studying its present position and its outlook for the future, we should in justice sketch briefly its history for a background.

Early History

The present company was incorporated in 1906 under the laws of California as a consolidation of the Standard Oil of Iowa, which was a marketing company, and the Pacific Coast Oil Company, formed back in 1879. While it has always owned considerable oil lands, leases, etc., it was until the early part of 1913 a purchaser of the bulk of crude it used. The field work in 1913 brought in many big wells. Production during 1914 was about 13,000,000 barrels, or a daily average of about 35,000 barrels, compared with 27,000 barrels in 1913 and 10,000 barrels a day prior to that time. Production in 1915 was practically on a level with 1914, but 1916 broke previous records. Whenever practical, additional properties have been acquired, leases taken over, and in this development work more than $15,000,000 was expended before the company commenced to realize a penny's profit.

The pipe line system which brings the oil from the well to the refinery is more than 1,200 miles in length, the main trunk line being over 350 miles, extending through the San Joaquin Valley from Midway to Point Richmond with a branch into the Collinga fields.

There is a trunk line from Santa Maria through to Port Hartford and from the Newhall field to Ventura; also from the Whittier-Fullerton district to El Segundo. The combined pumping capacity of the pipe lines is now much in excess of 100,000 barrels a day. The pipe lines of the California Company have, by a California State Law, become common carriers, although the company built the lines for its own private use. The company protested as to the injustice of the act, but submitted to the law. Other companies similarly affected made appeal to the higher courts.

Its Three Refineries

The three refineries are modern and are constantly being improved. At Point Richmond, near San Francisco, the plant was practically rebuilt at an expenditure of $10,000,000 during 1912. The refinery at El Segundo, near Los Angeles, and the Kern River refinery, near Bakersfield, were both completed in 1913. The combined capacity of the three refineries is over 95,000 barrels a day, and this has been largely augmented during the past few months. Oil is conducted by pipe line from the refineries directly into the company's tank steamers. The last available detailed statement showed that the company owned 14 tank steamers suitable for coastwise and foreign business, with a combined carrying capacity of 560,000 barrels. At that time there were 13 harbor vessels with a carrying capacity of 37,000 barrels, and various supplemental crafts. Since the outbreak of the war, the heavy export demand for gasoline, lubricants, etc., has made it necessary for the com-

pany to lay plans to increase its fleet and several tanks have been launched or are in process of construction.

Prior to the war the company confined its export business to South and Central America and the Orient, but since the war has sent cargoes direct to Europe through the Panama Canal. The closing of the Canal forced the company to send several tank car express trains from San Francisco to New York, each train carrying 25 cars with a capacity of 750,000 gallons of lubricating oil.

Through a working agreement with the International Petroleum Company, a subsidiary of the New Jersey Company, and the Lobitos Company, both operating in Peru, the latter two companies ship high grade crude to Point Richmond, California, in their own vessels, and carry back cargoes of fuel residuum.

As has already been stated, the domestic business covers the entire Pacific slope and has been extended to the territories of Alaska and Hawaii. Export stations are located throughout Japan, India, Java and the Western Coast of Central and South America. The bulk of the illuminating oil, kerosene, is shipped to the Orient by an arrangement with the Standard Oil Company of New York. Over 25% of the American oil shipped to China went from California and practically all was furnished by the California Company. Of course, the New York Company has for years been intensively developing the Chinese and other far Eastern fields. The New York Company has been assiduously educating these peoples into the literal use of kerosene for lighting and lubricating oil for mechanical purposes. Some twelve years ago the New York company perfected and gave away in China an enormous number of kerosene lamps. In order that these lamps might appeal to the Oriental taste, the exterior was built along Oriental lines and decorated in a fashion which would not offend the aesthetic taste or stir up the superstitions of the Yellow man for whom it was designed. In spite of its rather fantastic exterior, it housed inside a good American mechanism. When those lamps were introduced, the consumption of kerosene in China approximated 13,000,000 gallons. Consumption now is in excess of 125,000,000 gallons. All of which, of course, was to the benefit, primarily, of the New York Company, but indirectly to the benefit of the California Company. Be it remembered in this connection that the success of the Standard Oil is built, not upon the sale of kerosene, or of gasoline, or any other single product, but upon the sale in quantity of all the various products. The growth of the California Company would have been hampered had it not been able to find an ample and a profitable outlet for

TABLE II

STANDARD OIL OF CALIFORNIA

Comparison of principal items in the balance sheet during the past four years

Dec. 31	Plants and Equipment	Inventories on Hand	Accounts Receivable	Cash in Bank
1916	$72,010,645	$26,166,272	$8,031,708	$2,646,755
1915	65,834,282	25,017,147	5,293,155	1,986,663
1914	65,415,338	25,550,918	4,930,184	1,173,377
1913	50,268,456	21,727,390	6,083,042	1,605,266

Dec. 31	*Stock Outstanding	Accounts Payable	Total Surplus	Total Assets
1916	$74,529,983	$3,837,951	$30,782,324	$109,400,258
1915	49,686,655	3,754,414	44,852,263	98,543,332
1914	49,686,655	7,070,645	40,290,982	97,298,283
1913	45,183,993	7,448,017	35,088,743	87,970,754

*Stock outstanding $25,000,000 at time of dissolution in 1911. Present authorized $100,000,000, all of which will be outstanding upon payment in April of the 33 1-3% stock dividend.

its kerosene production, which was incidental to its production of the higher priced refined product.

California Oil Production

The oil shipments since 1900 in the Pennsylvania field have dwindled from about 15,000,000 barrels to some 9,000,000 barrels at present. California field, on the other hand, started with 4,300,000 barrels in 1900, increased steadily to 55,000,000 in 1909, at which time the Pennsylvania field began to fall seriously, and then by leaps and bounds increased each year, until in 1916 production was above 93,000,000 barrels. In order to get some basis of comparison of production, it is necessary to state that the United States produced about 293,000,000 barrels of oil in 1916. Oklahoma led the field with 105,000,000 barrels and, as has been stated, California produced 93,000,000 barrels, being second. Illinois produced 16,500,000 barrels, and is on the decline. There is some indication that the Oklahoma field is on the decline. California, on the other hand, gives a very different indication. In this connection it is worth while reading carefully what the Standard of California, in a recent issue of its official bulletin, had to say upon this point.

> What the year 1917 will bring to the industry must be pure conjecture. At no time, however, since the industry has been of real prominence, excepting the large group of producers on unpatented lands who are unhappily involved in controversy and litigation with the Federal Government, has the producer faced a new year with more favorable prospects.
>
> While consumption now is greatly in excess of production, a settlement of the unpatented land controversy, which will permit development of these lands, will go far towards solving the problem of production shortage. New fields are possible from untried areas long regarded favorably, now in course of development. On the other hand, continued production shortage, with a consequent increase in value, may greatly lessen the consumption through contraction of the present market area for California oil.

Prospects

It would appear that the California Company is just now arriving at its giant strength. Whatever may be the future of the California oil field, the company is in a position to handle the situation, and it is logically the company to benefit by continued prosperity of that field. How well it has prospered in the past can be best illustrated by reference to things financial. That the eye may not be confused, and that the mind may grasp quickly the essential statistics, there has been interspersed through this article a number of tabulations. By referring to table herewith one is impressed first by the fact that in spite of the increase in capital from $25,000,000 in 1913 to $75,000,000 in 1916, earnings in dollars per share available for dividends is such that the fixed cash dividend rate of $10 a share, which has been paid each year, has never been jeopardized.

In 1912 stockholders were given the right to buy new stock at par to the extent of 80% of their holdings. The total cash dividends paid that year amounted to only $2.50 a share, but it was worth while to stockholders to avail themselves of the opportunity to subscribe. Subsequent history justified the judgment of those who took advantage of the opportunity for, as has been stated, the cash rate since that time has been $10 a year, and in addition in 1914 stockholders were given the right to subscribe at par to 10% of their holdings. These, after a fashion, were small melons. The first real melon came in April, 1916, when stockholders were given a stock dividend of one share for each two shares held, or 50%. In April, this year, stockholders will receive another melon in the form of one share for each three shares held, or a 33⅓% stock dividend.

Even those who are the optimistic friends of the Standard Oil stocks realize that there must be some limit to the number of times these companies can keep on increasing their capital and declaring stock dividends. While it is impossible to foretell what conditions may be in the future, or what method the directors may take to reward stockholders, those who have been close students of California are of the opinion that having arrived at the desired goal of $100,000,000 capital stock, the company will continue on its regular basis of 10% cash and from time to time, as the profits warrant, will declare extra cash dividends.

Oil Notes

Associated Oil.—Has purchased 22,000 acres of oil land in the Santa Maria field, Cal. All the properties, while not proven land, are along an oil belt. The company expects to develop these properties and is preparing to increase the capacity of its pipe line into the field from 4,000 to 25,000 barrels a day to handle the additional production. The regular dividend of $1.25 a share was declared payable April 3 to stockholders of record March 23.

California Petroleum.—For year ended December 31, 1916, reports total earnings including earnings of sudsidiary properties, of $1,081,154 against $1,919,678 in 1915. Net earnings were $1,511,658 against $1,354,167 and were equal to 2.13% on approximately $15,000,000 common stock after allowing for the full 7% preferred dividends. The balance sheet as of December 31 showed a profit and loss surplus of $579,980 compared with $209,072 on the corresponding date of the previous year.

Cosden Oil & Gas.—Announce the drilling of a new well in the Cushing district, with an initial flow of 2,640 barrels a day.

Empire Gasoline Company.—Has been incorporated under the laws of Delaware with a capital stock of $2,000,000 as a subsidiary of the Empire Gas & Fuel Co., controlled by the Cities Service Co. The new company will take over the gasoline extraction stations of the Empire Gas & Fuel Co. in Kansas and Oklahoma and extract and market gasoline.

Empire Petroleum Company.—Has been incorporated under the laws of Delaware with a capital stock of $2,000,000 as a subsidiary of the Empire Refining Co., to take over the handling of the quick assets of the refining company in connection with its manufactured products.

Federal Oil Company.—Reports the completion of its twenty-third consecutive well in the Irvine field, Kentucky.

Indian Refining Comany.—Declared a dividend of 5¼%, covering accumulated dividends on the preferred stock for the three quarters ended September 15, 1912. The dividend is payable March 26 to stock of record March 10.

Midwest Oil Co.—Reports for the year ended December 31, 1916, shows gross income of $1,150,610 against $923,242 in 1915 and net of $466,863 against $201,548. Balance sheet showed a profit and loss surplus of $67,124 compared with $451,835 as of December 31, 1915.

Midwest Refining Company.—Report year ended December 31, 1916, indicates earnings on the $19,336,000 capital stock at the rate of more than 50%. The company does not give an income account for the year, but earnings at this rate are indicated by a $6,577,193 increase in surplus, $3,000,000 reserve for depreciation and about $1,250,000 dividend payments, or a total of more than $10,827,193. The report shows that the company acquired during the year $8,000,000 common stock of the Greybull Refining Company (being the entire amount of the common stock issued) and $1,200,000 of the preferred stock of that company, leaving outstanding $800,000 of the preferred stock retirable at the option of the company at 110. The stock was paid for partly in cash and partly in treasury stock of the company.

Osage Hominy Oil Company.—A subsidiary of the Oklahoma Producing & Refining Company, has declared an initial quarterly dividend of 2½% on the outstanding stock, payable March 20, to stock of record March 6.

Prairie Pipe Line.—Re-elected officers and directors at the annual meeting.

Sinclair Gulf Corporation.—Has been formed with an authorized capitalization of $20,000,000 bonds and 1,000,000 shares of stock without par value. The new company, like the Sinclair Oil & Refining Company, will be under H. F. Sinclair's direction. The properties include interests in 7,000 acres of oil and gas leases in the Midcontinent field, on which have been drilled 157 wells, with a daily production of 16,000 barrels of oil. The share of the corporation's subsidiary companies in this production is approximately 10,000 barrels a day. The company, also through a subsidiary, owns a controlling interest in an oil concession granted and approved by the Republic of Costa Rica, covering approximately 9,000 acres. The company has let a contract for laying an 8-inch pipe line approximately 500 miles long from the Midcontinent field to the Gulf. The company has acquired the Freeport and Tampico Fuel Oil Corporation, including a refinery in New Orleans, about 500 tank cars and 17 ocean-going units, etc., also properties in Mexico, having a producing capacity of about 150,000 barrels of crude oil a day.

Standard Oil of California.—Is co-defendant with Southern California Gas Co. and Midway Gas Co. in suit to recover an aggregate of 2,270 acres of oil land in the Midway field, Cal., said to be worth $20,000,000. The suit has been filed by the United States government. The land involves a portion of the second naval reserve set apart in 1912 by the government.

Standard Oil of Indiana.—Stockholders at annual meeting authorized an increase of capital stock from $30,000,000 to $100,000,000. The balance sheet of the company as of December 31, 1916, shows a profit and loss surplus of $53,236,657 against $26,793,092 in the previous year.

Standard Oil of New Jersey.—Will seek indemnity for the destruction of its oil properties in Roumania at the time of the German invasion of that country, according to an official statement.

Oil Inquiries

The Cosden Stocks

M. V., Watertown, N. Y.—Cosden & Company is one of the more substantial of the newer independent Oklahoma refining companies. The company is under able management, it has thorough and efficient modern facilities, dividends are being paid at the rate of 10c. per quarter regularly and 25c. per quarter extra. It is expected that the extra dividend will be increased. The stock appears to be an attractive speculative purchase at this time, although we do not recommend it as an investment.

Cosden Oil & Gas has an outstanding capitalization of 700,000 shares of 7% accumulative preferred stock and 245,000 shares of common stock, par value of both stocks $5. In addition there are authorized $6,000,000 first mortgage 6% convertible notes due July 1, 1919. Quarterly dividends are being paid on the common stock at the rate of 12½c. and extras. Convertible notes were used as part payment for the Hill Oil & Gas lease, Oklahoma, a block consisting of 5,000 acres of high grade oil lands in the South Cushing field. In acquiring these properties the Cosden Oil & Gas Co. increased its production materially and its daily output is now something like 20,000 to 25,000 barrels, which, it is estimated, could be increased by further development to 50,000 barrels a day. While no official statement of earnings has been issued, it is understood that they will approximate between $3.50 and $4 a share on the common stock for this year. Surplus earnings are being used to retire the notes. This company has a close working agreement with Cosden & Co. whereby the latter agrees to take its production, and the Cosden Oil & Cas. Co. is thus assured of a steady market. It is probable there will be a consolidation of the Cosden Oil & Gas Co. and Cosden & Co. interests in the not distant future. Such a consolidation would form a very strong oil combination. This issue probably has even more attractive speculative possibilities than Cosden & Co.,

Elk Basin Petroleum

W. H. M., Chicago, Ill.—Elk Basin Petroleum is a speculation with considerable possibilities. Of course the company is new and its earning power is uncertain. If you are willing to regard the stock as a speculation, we believe you would be warranted in purchasing it for profit.

Standard Oil of Cal.

F. A. B., St. Helena, California.—Standard Oil of California's recent decline was due to the international crisis and Germany's submarine edict, which caused heavy liquidation of practically all the stocks in the oil group. The selling in the case of this stock, however, was probably less called for than in other instances, because the Standard Oil Company of California will not be injured by any success of the submarine campaign to the same extent as other oil companies, especially those doing an export business in Europe. If you are a holder of the stock, we do not suggest that you close it out with a big loss now. It has a magnificent future and over a period of years an owner of the stock should realize handsome profits, even if he had purchased it at the highest price it sold.

Sequoyah Oil and Refining

L. R. G., New York City.—Sequoyah Oil & Refining is a speculation. The company is earning good money and paying liberal dividends, and the stock at its present price shows a high yield, but there are uncertainties in the situation which must be borne in mind. It is an untried company.

Oklahoma Producing & Refining

A. R., Springfield, Ohio.—Oklahoma Producing & Refining has just issued a report of its nine months' operations showing earnings for the period before depreciation of $348,959, which compares with $157,461 earned in six months and $148,537 in three months. On the face of this report, it might be inferred that the showing of the company was disappointing, but we understand from very reliable sources that a charge of something like $450,000 was made out of earnings in the last quarter of the year, to take care of the difference in the book value of the stock of the Muskogee Refining Company, which was exchanged for the stock of the Oklahoma Producing & Refining Company.

The company controls, as you doubtless know, 51% of the stock of the Osage Hominy Oil Company, which is capitalized for $5,000,000. This company has a half interest in the Osage lease, of which the Sinclair Oil & Refining interests control the other half. Its share of the production from this lease is about 5,000 barrels of oil a day. The earnings are stated to be running at the rate of $2,500,000 per annum, but it is claimed that this does not represent the full earning power since there are not adequate pipe line facilities in the Osage field for all the oil that can be produced by wells already drilled. A considerable increase, therefore, is expected in the earnings of the Osage Hominy Company with the completion of the additional pipe lines.

Standard Oils

W. S., Detroit, Mich.—Barring unexpectedly adverse developments in the situation now existing for the oil industry, we look for higher prices for the Standard Oil stocks. It is a question as to whether these stocks in general are now desirable purchases as permanent investments, but there should be good speculative profit in buying them now. Those we favor are Standard Oil of New York, Ohio Oil, Atlantic Refining, Standard Oil of California and Standard Oil of New Jersey.

Mining Digest

Anaconda Copper.—Directors voted to retire from earnings the $16,000,000 2-year 5% notes due March 1, 1917. There will be no renewal. It is estimated that with a continuation of satisfactory conditions in the copper industry the company this year stands a good chance of earning about $75,000,000 which would mean approximately $32.50 a share compared with estimated earnings of $20 a share in 1916. Production for February was 25,000,000 pounds of copper compared with 28,500,000 in January and 29,000,000 in December. The falling off was due to the loss of three working days and the stormy weather experienced around Butte, Montana.

Arizona Commercial.—Plans to double production before the middle of 1917.

Bingham Mines.—On the February basis of operations, including the equity in the Eagle and Bluebell earnings, is earning at the rate of $5.50 a share per annum.

Butte & Superior.—Has declared the regular quarterly dividend of $1.25 a share and an extra dividend of $1.25, which latter is a reduction of $3.75 from the amount of extra distribution paid in previous quarter. The conservative policy of declaring a smaller extra is due to the uncertainties in the foreign situation. The company's profits for the fourth quarter of the year ended December 31, 1916, were $2,309,067 against $947,901 for the previous quarter. The tonnage of ore treated established a new high record.

Cerro de Pasco Copper Corporation.—Has listed on the New York Stock Exchange $10,000,000 10-year convertible 6s.

Chino Copper.—January production was 6,452,154 pounds compared with 6,750,960 in December and 6,906,024 in November. The company has declared the regular quarterly dividend of $1.50 a share and an extra dividend of $1 a share payable March 31.

Chile Copper.—February production was 6,056,000 pounds of copper compared with 3,144,480 pounds in February, 1916.

Davis-Daly Copper.—Report quarter ended December 31, 1916, shows total receipts for the period were $146,822 and total expenses $142,595, leaving a credit balance of $4,227.

During the quarter development work totaled 1,208 feet, comprising 534 feet of drifts and 674 feet of crosscuts. Earnings are now running at over $50,000 a month above all expenses and this will soon enable the company to pay out its present indebtedness.

Dolly Varden Mines Co.—Has increased its capital stock from $350,000 to $1,200,000.

Domes Mines Co., Ltd.—Reported for February total tonnage milled as 36,270 and bullion produced, $172,000, compared with January tonnage milled, 39,600, and bullion produced, $181,000.

Granby Consolidated Mining, Smelting & Power.—Has again placed in operation four furnaces, following the partial cessation of operations caused by climatic conditions. This was reflected in a lower output for January.

Great Northern Ore.—Has concluded leases aggregating $110,000,000 with the Jones and Laughlin and Inland Steel Companies. According to St. Paul reports, both the leases are based on a yearly minimum production of ore and are to run until the mines are exhausted. The Jones & Laughlin lease, it is estimated, will involve total payments of $70,000,000 and the Inland Steel lease $40,000,000.

Hollinger Consolidated.—Has announced its intention of paying a dividend of 1% every eight weeks instead of making the distribution every four weeks as heretofore. This reduces the rate to 6½% from 13% per annum. Company earned gross operating profits, before new construction and depreciation, of $217,000 in the 28 days ending January 28, 1917, a decrease of $7,967, as compared with the previous period.

Inspiration Consolidated.—In February produced 10,250,000 pounds of copper, compared with 11,600,000 in January, 1917, and 10,400,000 in December, 1916.

Kennecott Copper.—At the end of February is reported to have had on hand cash, copper and securities amounting to more than $25,000,000. After payment of dividend just declared, company will still have a balance of approximately $21,000,000. Copper on hand heretofore referred to has been sold. Company in February produced 7,090,000 pounds of copper, compared with 7,080,000 in January, 1917, and 9,750,000 February, 1916.

Mass Consolidated Mining Co.—Report year ended December 31, 1916., shows a mining profit from operations of $525,084, equivalent to $5.25 per share, compared with $185,797, or $185 per share in 1915. The gain in cash assets for the year was $235,894, with balance January 1, 1917, of $449,255.

Miami Copper.—Production, February, 1917, 4,210,780 pounds of copper, compared with 5,020,370 pounds in January, 4,622,273 pounds in December and 3,990,936 pounds in February, 1916.

Mohawk Mining.—Production January, 1,195,941 pounds of copper, compared with 1,476,685 in December and 963,266 pounds in January, 1916.

Mother Lode Copper Mines.—First shipment of 400 tons of ore to the Tacoma smelter shows 60.61% and 61.54% copper with 13.8% and 13.75% silver. It is estimated that this shipment has a market value of about $147,500, the copper approximating $144,000 and the silver $3,500.

Nevada Consolidated.—Production January, 6,279,432 pounds of copper, compared with 7,174,415 pounds in December and 7,047,486

pounds in November, 1916. The regular quarterly dividend of 50 cents and an extra of 50 cents a share was declared payable March 31 to stock of record March 9. The extra dividend is a reduction of 50 cents from the $1 extra declared in December.

Nipissing Mines.—Profits for January were $95,249, somewhat under normal, due to a clean-up at the plant which precluded capacity operations. The production, as estimated, amounted to $173,988.

The advance in silver has had a very beneficial effect on Nipissing, both as to current earnings and in raising the values of ore in reserve.

The company lately started an innovation in shipment of bullion across the Canadian continent on its way to the Chinese and Indian markets, at times most influential in the world.

Osceola Consolidated Mining.—Report year ended December 31, 1916, shows gross receipts of $5,065,134, net profits of $2,776,159 and surplus after dividends of $949,309. The net equals $27.76 a share, compared with $16.75 a share in 1915 and with $3.66 per share in 1914.

Old Dominion Co. of Maine reported a net profit of $3,532,125 for 1916, equal to $12.03 per share on the stock.

Phelps, Dodge.—Has adopted plans for the improvement of the recently purchased Tyrone and Leopold groups of copper mines, situated about 2 miles southwest of Silver City, Mexico, calling for an expenditure of approximately $5,000,000. Plans include construction of ore concentrating plant and a large amount of other development work in preparation for making the mines among the largest producers in the southwest.

Ray Consolidated Copper.—Production in January, 7,767,663 pounds of copper, compared with 7,838,132 pounds in December and 6,894,736 pounds in November, 1916.

The regular quarterly dividend of 75 cents and an extra of 25 cents a share was declared, payable March 31 to stock of record March 9.

St. Mary's Mineral Land.—Report year ended December 31, 1916, shows cash on hand of $56,104 against $289,544 in 1915. The 1916 receipts were $283,419; dividends paid amounted to $480,000, and total expenditures were $516,855. As all except three Champion Copper dividends were paid direct to St. Mary's stockholders, these are not included in the receipts on payments, amounting altogether to $3,040,000.

Shannon Copper.—Report year ended December 31, 1916, estimated, will show net profits of approximately $808,000. This figure is arrived at after allowing about $10,000 for expenses in January, 1916, when the mines were closed down owing to the strike. All the profits were made in 11 months.

Shattuck Arizona Copper.—Production February, 1,402,853 pounds of copper, 359,485 pounds of lead, 20,514 ounces of silver and 207 ounces of gold, compared with January production of 1,415,503 pounds of copper, 425,638 pounds of lead, 19,105 ounces of silver and 211 ounces of gold.

Silver King Consolidated.—Declared a dividend of 10 cents a share and an extra of 6 cents both payable March 31. Books close March 17 and reopen April 2.

Tennessee Copper & Chemical.—Russian Government has filed suit against this company and the National Surety Co., its surety, to recover $1,140,000 advanced to the Tennessee Copper Co., which was taken over by the Tennessee Copper & Chemical Co., on contracts for trinitrotoluol in 1915. Vice-president Griffin of the surety company issued a statement that the copper company's treasury was strengthened under the recent reorganization with a much larger sum than necessary to meet the Russian claim, and that the copper company, which denies liability to Russia, is in a strong financial position.

Tonopah Extension.—Earnings statement January, 1917, shows earnings amounting to $163,827. Current expenses amounted to $92,701, leaving a balance of $71,126.

Toulumne Copper Mining.—South crosscut on the 700-foot level of the Tuolumne's main range mine has opened a heavy flow of water, which it is believed indicates the proximity of one of the fissures in the Roy Omore claims, the outcropping of which indicates a vein of considerable size.

United Verde Extension.—Has enlarged its operations so that normal monthly production of copper may be placed at between 3,000,000 and 3,500,000 pounds. In 1916 it cost this company 6.4 cents a pound to produce its copper.

United Verde Copper.—Declared the regular monthly dividend of 75 cents and an extra of 75 cents. This makes a total of 20 consecutive monthly dividends of 75 cents and nine extras of 75 cents each.

Utah Copper.—All negotiations or discussion looking toward a merger of this company and the Kennecott Copper Corp. have been abandoned. December production was 13,976,533 pounds, against 16,421,192 in November and 20,325,520 in October.

Wolverine Copper Mining.—Has declared a semi-annual dividend of $7 a share, payable April 2 to stock of record March 7. This is an increase of $1 a share over the dividend declared six months previously.

Mining Inquiries

Caledonia Mining

M. B., Providence R. I.—Caledonia Mining is capitalized in the State of Idaho for $2,605,000, the par value of the shares being $1. The stock is very speculative because of the uncertainty as to how long its ore reserves will last. It is estimated by the company that there is sufficient ore for about a year's production and the possibilities for further developments appear to be good. The company stands to benefit from the prevailing high prices for the silver metal, and as the silver metal may remain high for two or three years after the war, they may benefit materially. Owing to the fact that the property is amortizing rapidly, the officers are distributing most of the profits to the stockholders as they are made. We do not suggest holding the stock for the long pull.

East Butte Copper

W. J. F., Ashland, Wis.—East Butte Copper has considerable merit, but we do not suggest the purchase of a stock of this class now as an investment. It offers the opportunity of speculative profit.

Mines Co. of America

L. R. G., New York City.—Mines Company of America has a collection of properties in Mexico, many of which promise to become very profitable if they can ever be opened and exploited. This company had to suspend work at the outset of the revolution in Mexico and conditions have not been such that it could resume operations since 1914. The position of the stock will depend very largely on the future developments in Mexico.

Hecla Mining

K. F. A., Butler, Pa.—Hecla Mining is a good silver mining investment and the stock purchased at this price should ultimately show very satisfactory profit, since there is now extraordinary prosperity in the silver mining industry with silver metal prices on a very high basis. Not only does this prosperity exist now, but it is likely to continue for several years at least following the close of the war.

Utah Copper

W. H. B., Napa, Cal.—Utah Copper, even at its present price, is, comparatively speaking, one of the best copper investment stocks in the market. Anaconda is the only stock comparable to it, but Anaconda must be viewed in a different light because its mine is a vein mine, whereas Utah is a porphyry. For the time being, we are bullish on both Anaconda and Utah, also on Chino, and, to a less extent, on Ray. There have been signs of accumulation of the copper stocks and the trend of the market now appears to be strongly upward with this class of issues as the leaders in the upward movement. Copper stocks generally may not be bought as permanent investments at these prices with safety, because present prices are comparatively high, and in the next period of depression with copper metal prices lower, we think that practically all the copper stocks may be purchased at much below their current levels. Any purchases should be made with a stop order so that the risk will be limited.

Nevada Consolidated

W. S. W., Washington, D. C.—Nevada Consolidated is now in line for an advance in common with the other copper stocks, since there have been strong indications in the past few days of accumulation by large interests of copper stocks in preparation for an upward swing. Nevada, however, is not likely to participate in any such upward movement to the same extent as Chino, Anaconda, Utah or American Smelting & Refining, judging by the indications, and we believe it would be to your advantage to switch from Nevada into one of the other stocks in the expectation that you will recover your loss more quickly. We suggest that you protect any commitments with stop loss orders, for owing to the uncertainties in the foreign situation, it is as yet impossible to definitely forecast whether the upward movement in the market will be of large or small extent.

Ray Hercules

C. K., Harrisburg, Pa.—Ray Hercules has a property of much promise. The company is making highly satisfactory progress in the development of its property, it having been asserted recently that the latest development work tends to show that the new ground being opened has possibilities of containing twice as much ore as the original property demonstrated. The company is backed by strong interests and has expert technical advisers and we regard the stock favorably as a long pull proposition. The reason for its inaction lately is no doubt attributable very largely to the generally unfavorable market conditions. Of course there is an element of speculation in the stock, and you must take this into consideration in holding it. According to the latest reports, the construction of the mill is proceeding satisfactorily and it is stated that beginning with September, 1917, the company should be able to start production at the rate of 25,000,000 pounds of copper a year at a cost not to exceed 8½c. a pound. Estimates place the earnings thereafter at the rate of $1.25 a share on 15c. copper and $3.50 a share on 25c. copper.

Silver King

H. K., Lawrence, Mass.—Silver King is a speculation. The literature you have read may state the facts in the case, but if you analyze these statements closely, you will note that they are generalities only. Such generalities may be recited about almost any mine in the vicinity of Magma. The proposition may turn out very fortunately for stockholders but it is very speculative now.

Unlisted Security Notes

Aetna Explosives Company.—Great Britain has exercised an option on 9,000,000 pounds on smokeless powder to be manufactured by the Aetna Explosives Co. This is the second order for this quantity received from Great Britain and is said to be valued of $5,000,000. The stockholders' protective committee of the company announces that the time for the deposit of stock under the agreement dated Feb. 15 has been extended to March 8.

Booth Fisheries.—A report lately received from Chicago states: "Booth Fisheries sharp advance last week was based on the forthcoming annual report which will show not only large earnings on fish business but also income from lease of some of company's steamers. A large profit made on sale of Detroit real estate to Pennsylvania Railroad may also be shown."

British-American Tobacco Co., Ltd.—On Feb. 26, 1917, the "Wall Street Journal" said that the dividend of 6% declared on the ordinary shares of this company compared with 2½% declared in the same period a year previously.

This company is the largest individual manufacturer of tobacco products in the world. Its sales of cigarettes in 1916 amounted to at least 30,000,000,000 cigarettes, or at least 5,000,000,000 more than the entire output of the United States.

Canada Steamship Lines. — The annual report for the year 1916 shows net earnings for the year of $4,059,544, as compared with $1,732,057 in the previous year. After the regular charges the profits for the year amounted to $2,391,027, as against $662,151 in 1915.

Cosden Oil and Gas.—An extra dividend of 2½% with the regular rate of 2½% was declared by the company, which compares with a regular and 1% extra the last quarter.

Davis-Daly Copper Co.—The receipts of the company for the quarter ended Dec. 31, 1916, were $146,822; expenses, $142,595; leaving a credit balance of $4,227.

General Cigar Co.—At the meeting of stockholders of the General Cigar Co., Inc., formerly the United Cigar Manufacturers Co., the business of the Theobald & Oppenheim Co., Philadelphia, was merged with that of the General Cigar Co., Inc.

General Baking Co.—The company's income account for year ended Dec. 31, 1916, is as follows: Net income, $919,053; net profits, $450,784; surplus after preferred dividends, $213,784. Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $1,181,958, compared with $968,174 Dec. 31, 1915.

Midvale Steel.—The first annual report of the Midvale Steel Co. for the year ended Dec. 31, 1916, showed net profits after all deductions equal to 32.21%. The total net income amounted to $37,606,017, with a surplus of $33,656,610, from which was deducted $15,000,000 for depreciation, leaving a profit and loss balance of $18,565,610. Application will be made to list Midvale stock on the New York Stock Exchange. Recently the company took over 15,200 acres of coal lands in Westmoreland and Washington counties, Pa., formerly owned by Pitts Westmoreland Coal Co.

Nova Scotia Steel & Coal.—The company reports for the year ended Dec. 31, 1916, profits of $4,222,373; balance, $2,731,787; net profits, $2,104,478.

The net profits for the year added to the surplus carried forward from the previous year brought the total amount available for distribution up to $3,615,086. From this amount, preferred dividends were taken amounting to $80,000, making a total balance on Dec. 31, 1916, $3,535,086. This is equivalent to about 46% on the common stock.

The regular quarterly dividend of 2% on the preferred stock, payable April 14, was also declared.

Smith Motor Truck Co.—Reports shipments for February aggregating 2,075 trucks, exceeding January by 65%. Daily shipments are now averaging 200 trucks. The new factory is expected to be completed this month.

Stromberg Carburetor Co.—Has declared an initial quarterly dividend of 75c. per share on its 50,000 shares, payable April 2 to stock of record March 15.

Submarine Boat Corporation. — As the company secured over 70% of the last government submarine order, it is reasonable to assume that this corporation will secure not less than that proportion of the impending order of the government, which reported favorably an increase of $71,000,000 for submarines. On this basis Submarine Boat Corporation will secure $70,000,000 of new orders, which, added to the approximately $50,000,000 orders already on its books, means a tremendous volume of business for the next few years to come.

Wright-Martin Aeroplane.—It is believed the new basis for exchange for old stocks of this company and the Curtis Aeroplane Co. into shares of the proposed new company will be that Wright-Martin preferred shareholders will get par for par in the 6% preferred stock of the new concern, and common stockholders 90% of a share of common of new for each Wright-Martin common owned. Curtis preferred shareholders will get par for par of new preferred and 100% in new common stock in addition, and Curtis common stockholders one and a half shares, or 150% in common of the new company. The consolidated company will have an authorized issue of $10,000,000 notes, of which $6,000,000 will be immediately sold.

TOPICS FOR TRADERS

What Happens When the Public Gets In

Another Interesting Incident Brought Out in the Famous "Leak" Probe—"Technical Position" Explained

By THOS. L. SEXSMITH

WHAT helps to make the study of the market so engrossingly interesting to the earnest student is the ever changing character of the market itself, and the new avenues for study and observation constantly being opened up. Many may find very little actual pecuniary profit in such study, and some may not even seek it, but none, it seems, find it dull.

The recent "leak" investigation furnished material for a study of Mr. Bernard M. Baruch's trading methods, and while necessarily limited to the inferences which could be drawn from that gentleman's testimony before the commission, and a knowledge of the market situation at the time the commitments under review were made, such study yielded much of practical value to the student-trader. The principles of success are universal. The smallest trader must operate along correct lines if he is to enjoy consistent success.

In the article referred to above, particular attention was given to the technical position of the market at the time that Mr. Baruch was most actively trading. Since Steel was the stock which was the most dealt in at the time, as well as being the chief issue used by Mr. Baruch, the writer was careful to describe the position of Steel and the characteristics of the manipulation in it, as well as the general technical situation at the time.

What the Technical Position Means

There is nothing mysterious about the expression, "technical situation." From the way the term is so often abused, it is not to be wondered that the average reader is in some doubt about what is meant when he encounters it in the course of his reading. If we think of the market as a large store carrying great lines of merchandise, and try to realize the condition of the stocks of that store immediately at the close of the Christmas holiday shopping season, we will have an approximate idea of what an "over bought" or weak technical condition in the market is like. In the Christmas rush people buy with great liberality, and to a great extent spend to a point bordering on their maximum spending capacity. Potential buying power becomes exhausted; the demand is practically filled up, and as a consequence the retail store trade during the few weeks immediately following the holidays is about the dullest and most unprofitable of the year.

On the other hand, an "over-sold" or strong technical position may be likened to the condition which exists in the retail trade in the fall season, when consumers return to their city homes fresh from mountain and seashore, and finding stocks of edibles depleted, new furnishings needed for their homes and many new items of clothing demanded by the dictates of fashion and the requirements of seasonableness, become potential buyers and thus help to brighten trade prospects.

At the bottom of all market analysis is the desire to strike a correct balance between the forces of supply and demand. When these forces come in direct contact with one another, sales are made and quotations established. Such things become matters of record; but what the trader wants to know is not so much today's quotation, but tomorrow's, and the only scientific methods for ascertaining probable future quotations are those which seek to measure the potential supply and demand of the stock or commodity in question. For this reason, the technical position of the market is always of importance.

Who Holds the Stocks?

There is another item of importance secondary only to the technical position of the market, and that is a knowledge of the character of the ownership of a large percentage of the floating supply of stocks. In other words, what one should know, in order to arrive at an intelligent opinion as to the course of future price trends, is "who holds the bulk of stocks now?" Are stocks in the main in the hands of strong interests, or is the public "loaded to the gills"? The testimony of Mr. Jules S. Bache, of J. S. Bache & Co., 42 Broadway, New York, before the investigators, threw a flood of light on the stock ownership situation during the early part of last December, making it quite clear that the larger brokerage houses in the Street, as well as the banks, understood the dangers of the position they found themselves in, and desired to take measures to prevent a further extension of the highly undesirable situation.

Public "Long" Up to Danger Point

Mr. Bache said that as early as December he considered that the loans of his own firm to customers for speculative purposes had reached the point of danger. In round figures, $51,000,000 had been borrowed from banks, and the firm had in turn loaned a total of $77,000,000 to its customers. Estimating the business of other brokers by that of his own firm, Mr. Bache came to the conclusion that the Street was in a very dangerous condition. As a result of that situation, a meeting was arranged by representatives of some fifteen of the largest commission brokerage houses doing business on the Exchange, and the meeting took the form of an informal luncheon at the Metropolitan Club, on December 13.

The brokers attending the meeting, as a result of comparing notes, found that they had between them at the time an estimated aggregate of outstanding loans of not less than $450,000,000, representing, on the usual basis of loan arrangements on listed securities, 75% of the current market value, $562,500,000 worth of stock which was being carried on margins. Little wonder that these gentlemen became alarmed. They were perfectly aware of the insecurity of the technical situation—a huge, unwieldy super-structure had been built up on unsound foundations, and they feared the coming of the inevitable storm, which, from their many years of experience in the ways of the Street, they knew almost to a certainty would sweep before it all that was not solid and substantial.

The Public Hold the Stocks

While those who had recourse to the books of the largest brokerage houses during last December thus enjoyed a decided advantage over those who were denied that privilege, yet there were other means at the average trader's command by which he could approximately estimate the position of the public at the time, if only he took the trouble to look into them. I refer, for one thing, to the enormous daily volume of transactions which were being executed in the markets of November and December. A knowledge of these transactions was open to all.

From the middle of July to the end of October, an average of 25 Industrial stocks had advanced approximately thirty points. As the upward movement gathered momentum it was accompanied by an increasing volume of transactions, until by the first weeks of November, dealings were at a new record rate for the Exchange. The good old days of 1901, '04, '05 and '06, when the rules governing trading on the Exchange were not so strict as at the present time, were exceeded daily, but in spite of this huge turn-over of stock it was highly significant that from the first of November to the middle of December, the averages of the 25 Industrial stocks referred to did not go up any further, but actually declined somewhat.

Whenever the volume of daily transactions rises up to record proportions, and in spite of such unusual activity it is seen that the average market makes little or no headway in the way of advancing prices, it can be taken for granted that a radical change is taking place in the character of the ownership of a large percentage of the floating supply of

stocks. A weak technical situation is being prepared, and sooner or later a more or less violent readjustment is certain to take place. This is precicely what happened last fall, and the December and February crashes were prepared for by the "stock boom" days of October, November and early December. The famous 'peace note" of "leak" fame, and the German submarine warning were only incidents which precipitated, but by no means caused the declines.

Other Large Operations

Of equal interest to Mr. Baruch's extensive operations on the short side of Steel, explained by that gentleman himself in his testimony before the investigators, were the even larger operations of another well-known Wall Street personage who has the reputation of having made and lost several fortunes in speculations in stocks, grain and cotton.

From the testimony of this gentleman's broker it was learned that he began to build up a line of stocks on the short side of the market as early as November 6th, and that he covered altogether 56,900 shares of stock on December 20, which was the day preceding the publication of the "on the verge of war" statement of Mr. Lansing's, and 17,300 shares on the next day.

It is of pertinent interest to note that on November 6, the day this large trader began to sell the market short, the *Times* 50 stock averages touched a high for the day of 100.47. The next trading day, November 8, the averages reached 101.46, but before the day was over they had backed away from the new high more than one point and one-half, and after one or two days of churning around the top, a five-day decline set in which continued uninterruptedly until five full points of reaction had been made. The market immediately rallied, but it was able to get up only fractionally above the previously registered high, to 101.51, to be accurate, and the tendency to back away from this "top" was even more pronounced and more immediate than on the former occasion.

It is plainly seen that the methods used by Mr. Baruch and the other large operators were decidedly similar. Both had recognized at about the same time, apparently, that the technical situation was by long odds in the worst condition experienced since the latter half of 1909, when after the great rise of 1908 and the early half of 1909, the market began to show the inevitable effect of a too cumbersome public following. When they had sufficiently tested the market for responses, and reached their own conclusions, one could scarcely describe their subsequent operations as speculations in the broader sense, because with the resources they had behind them, and the expert knowledge of prevailing conditions which they undoubtedly possessed, they were as near to being absolutely certain of being right in the market as it is possible for an ordinary human to be certain about anything. It was a plain case with them of knowing they were right, and going full steam ahead.

About the only value inside information regarding the famous peace note could have been to either of these traders who dealt in thousands of shares at a time was to enable them to better time their covering. They surely did not await the receipt of it to begin to put out their large short lines. But all professionals know that the time to cover is the moment the "bad news is out." When the public gets it, and begins to act on it, it is the time to buy in again. And it is the only time when large shorts are able to cover to advantage. They must get their stock from one place or another, and the best possible source of supply, and the easiest to buy from, is a panic-striken public, and especially one which only recently had been rampantly bullish.

If there is one thing more than anything else brought out by the 'leak" investigation which has value for the student of the ways of the market, and there is no denying that it has been indeed rich in its lode of lesson-nuggets, that one thing is that the time not to do anything on the long side of the market is just that time when the very largest number of other people seem to have arrived simultaneously at the opinion that it is the best possible time to select for going long.

Successful Speculation

Some Fundamental Suggestions Bearing on Legitimate Speculation—When and What to Buy—Pitfalls to Avoid

By JULIUS SOMAN

THE term speculation as applied in Wall Street is commonly used to cover a very wide range of operations with consequent unlimited variations of risk. Popular antipathy against speculation results from a confusion as to the meaning of the terms investment and speculation. The test to distinguish between them lies in their definitions. By investment is meant the purchase for an income. By speculation, the purchase of anything in the hope of profit from an expected increase in its price.

The question of the use to which one should put his capital necessarily depends upon the ability and requirements of the particular individual. Where the security of permanent income is essential, as in the case of a trust fund or annuity, one is limited to investment in the highest class of bonds, first mortgages on improved real estate, or deposit in a savings bank. But as the urgency of regular income decreases, the variety of investment possibilities increase, grading down through investments into the higher classes of legitimate speculation.

Legitimate Speculation

In the narrower sense of the term as used in the preceding paragraph, legitimate speculation is the anticipation of a profit upon a commitment undertaken, based upon an hypothesis, the result of conclusions deduced from sound reasoning. Investigation has substantiated the theory that by far the largest degree of permanent success in Wall Street is attained by a class of careful speculators who operate upon this basis. Gambling on the daily fluctuations of stock prices, the most popular and in the vast majority of cases, the most unprofitable of speculations, is perhaps, the least desirable of all uses for the funds of the average man.

Wall Street presents no short cut to success. On the contrary, the first step toward acquiring success is hard work and diligent application. Speculation is a science and must be regarded as such. There are no rule of thumb methods of operation applicable to the securities market.

A Fascinating Study

Aside from pecuniary considerations, the stock market is a most fascinating field of study. Associated as it is with every field of human enterprise, it has a most broadening influence upon the average man, limited to the narrow circles in which he ordinarily moves. It is not strange then that the market attracts more brainy men than any other arena of activity in American life, and, of course, a great deal of study is bestowed upon it. In view of the facts, the childish confidence of ignorant speculators, uninitiated in its fundamentals, appears most absurd. It is not to be wondered at that they usually lose their money.

The opportunity and ability of the individual are naturally the governing considerations in any plan of systematic study. In what is to follow, therefore, only simple preliminary recommendations will be offered. Undoubtedly they will suggest to readers further lines for original thought and study.

In Wall Street knowledge is power. Every scrap of knowledge and experience practical or theoretical, if systematically reserved for future reference, will pay in the long run. Good advice is always valuable, but to be most efficiently used it should be thoroughly understood. The test for good advice is logical reasoning.

Avoid Tips

By all means avoid tips. Tips are illogical. Premature tips defeat the purpose of the operator. A large fol-

lowing is unwieldly. Tips are usually given out when the big fellows are ready to unload.

A working knowledge of economics is essential. The writer has found the reading of standard works on economics a source of constant help and does not hesitate to recommend their use for entertainment as well as profit.

One should be familiar with the "machinery" of Wall Street. An intelligent reading of the daily papers will serve to keep one abreast with current events, but it should be supplemented by a reliable and independent financial periodical with a conservative editorial policy, such as the MAGAZINE OF WALL STREET. The writer has found it invaluable in its suggestions for thought along correct economic lines.

Specialized knowledge is advisable. Just as the tradesman gets along best in his own trade, one increases his chances for success by specializing in a class of securities for which his ability is best adapted. In general, the more limited a man's special knowledge, the more he must restrict himself to the "long pull" method of operation. For this class of speculators, to which, by the way, most of us properly belong, the safest method of operation, is to make an analysis of fundamental conditions, take a long range view of generalities, form logical conclusions and, when the opportunity presents itself, undertake consistent commitments.

Broadly speaking, there are two factors which affect the value of a security. They are, earning power and the price of capital or prevailing interest rates. Common stocks are affected by the prosperity of the corporation which they represent, to a greater extent than by the money market. The values of securities for which the income is quite certain, such as seasoned bonds and some preferred stocks are almost exclusively affected by the fluctuations in money rates. The reasons for this are perfectly obvious and need no explanation. The conservative speculator may take advantage of these facts by purchasing securities with an assured income, speculating on the larger variations in interest rates. To those who will give some study to the subject, handsome profits may be had with no sacrifice in principal.

Correctness of View

Perhaps the most essential factor for successful speculation is the maintenance of a correct point of view. judgment warped by unwarranted prejudice, too great enthusiasm or any other cause is inevitably disastrous. This is so important that it justifies a few further remarks. Stock tickers and broker's offices are much too close to the firing line to maintain one's focus on the broader trend of security prices. The general in charge of an army in battle directs its course from a point far removed from actual hostilities. Proximity to the scene of the battle at any one point would warp his judgment of its general trend.

Inadequate margins and overtrading exert a tremendous interference with one's judgment. When an emergency arises in the form of a temporary depression overtrading substitutes fear for confidence just when confidence is most needed and the victim sells when he ought to buy. The writer has no fault to find with marginal trading, however, when the margin maintained is adequate for every emergency.

The secret of the time to buy and the time to sell underlies all business, whether it be grain, cotton or goods, bonds or stocks. The time to buy is when nobody else wants to buy; the time to sell is when the prospects for further profit are outweighed by the probability of loss. Remember that the market is never so weak as when it is high, never so strong as when it is low.

In what has preceded no particular mention has been made of non-dividend paying stocks. The purchase of securities which are not revenue producing is allowable in the case of a man who can afford to sacrifice immediate income for the prospect of enhancement in the value of an equity in a well managed corporation with a bright future.

Technical and Miscellaneous Inquiries

Value of Investment

Q.—I am a subscriber to your magazine and desire your expert advice as to the desirability of United States Steel as an investment.

I wish you would comment on the following simple method of calculating the probable future market value of the common stock.

I take the high quotations of the stock for ten years and find the ten year average high is 84.

I take the low quotations of the stock for ten years (1907 to 1916, inclusive) and find the average is 47.

I take the average high of 84 and low of 47 and arrive at the mean average of 65.

Am I reasonable in supposing this to be the probable minimum average for the future years.

I find also that the stock has paid close to a 4% average for ten years, and has earned $50 per share during the past two years which has been added to the surplus.

May I not reasonably add this $50 per share to my ten year mean average of 65? This gives me $115 per share. Now, with the stock beginning to distribute earnings, and with a good year in sight, I am presuming the stock to be a good investment as well as a speculation. If you do not agree with me on the investment value, what value would you name as the investment value?

Ans.—Replying to your letter of inquiry of the 12th inst., beg to advise that as far as we can see there is little value in the ten year average theory by which one can successfully estimate the future selling price for a stock. It quite often happens that the entire earnings status of a company changes radically in such a period, and all calculations based on past action of the stock in the market are consequently upset.

A better method, we think, would be to be governed largely by current earnings and prospects for the future. Then, there is the technical action of the stock to be considered. This is often of value in determining whether a stock should be bought or sold.

Steel at 115, the price you name, is at a figure which pretty well discounts its present large earning capacity. It may sell higher than that figure, but investors would do well to wait for lower prices to buy it.

Selling Curb Stocks Short

Q.—Can you sell curb stocks short? My broker has notified me that he would not place stop loss orders on curb stocks. Is this customary?

Ans.—Some brokers make a restriction against the taking of stop loss orders on curb stocks, and they claim that the reason for doing this is that many of the outside securities are subject to much manipulation, and if it is discovered that there are a great number of stop loss orders under the market it is not unusual that a drive on the stock is made to catch these stops. This, of course, is not always the case, and stop loss orders can be used on the curb. It is much more difficult to sell stock short on the curb than the Stock Exchange, owing to the fact that it is extremely hard in some cases to borrow the certificates. It is, of course, done, but very often the broker must "fail on delivery," and in some cases the buyer of the stock demands his certificate and the broker must cover. In stocks where there is much outside speculation, short sales can be made with comparative safety, as many of the buyers do not "take up" their stocks, but purchase them on margin.

Dividends

Q.—American Beet Sugar Co. declared an extra dividend of $12 a share on the common stock, said dividend payable March 1 to stock of Record Feb. 17.

On Feb. 6 my broker (in Chicago) a member of the New York Stock Exchange, upon my order, purchased for my account 25 shares American Beet Sugar Co. common stock at 99⅛. On the 7th inst. I forwarded payment for the stock, with the letter as follows:

"In discharge of the enclosed bill for 25 shares American Beet Sugar Co. common stock purchased for my account at 99⅛, namely, $2,478.13, plus commission $31.12, total $2,481.25, I enclose Chicago Draft 45777 for $2,481.25. Kindly acknowledge receipt. You may cause this stock to be transferred to me, as per my signature hereto, and same may be shipped to me in due course."

I have the broker's receipt dated February 8, for the above payment.

I paid no more attention to this transaction until a few days ago, February 24, the stock certificate was received by me, and upon reading same, I find it was entered for transfer on February 20th.

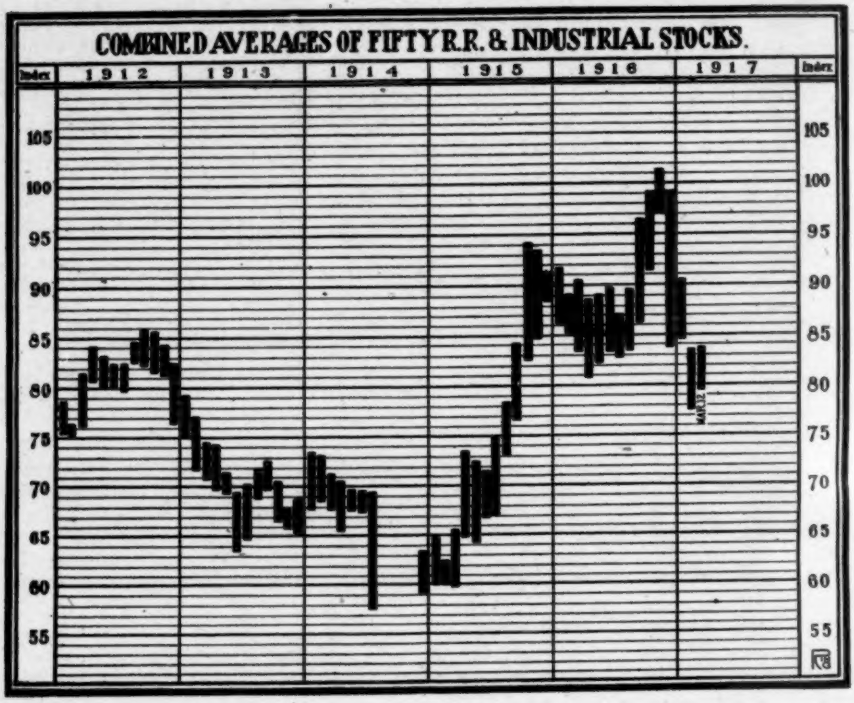
Of course I bought this stock with the 12% dividend on, and I want the dividend.

Being not acquainted with the law and the rules in this situation, I desire that you advise me, please at once, what I shall do now to get what is mine.

Ans.—The delay in the transfer of a stock should not keep you from receiving the dividend if you bought the stock with the dividend on; that is, before it sold ex-dividend. It is up to your broker to collect the dividend and he will no doubt do so. We suggest that you write him, however.

CORRECTION

The United Gas and Electric Corporation has first preferred stock outstanding to the amount of $9,284,800, second preferred $11,663,500, common $12,267,582. The first preferred pays 7% dividends.



MARKET STATISTICS

		Dow Jones Avgs. 20 Inds.	Dow Jones Avgs. 20 Rails	50 Stocks High	50 Stocks Low	Total Sales	Breadth (No. Issues)
Monday,	Feb. 26.......	93.35	98.70	82.32	81.55	406,600	185
Tuesday,	" 27.......	92.68	98.08	82.40	81.49	429,100	179
Wednesday,	" 28.......	91.56	97.37	81.51	80.44	386,200	192
Thursday,	Mar. 1.......	91.10	96.53	80.32	79.42	435,100	197
Friday,	" 2.......	92.83	97.00	81.01	80.12	411,500	179
Saturday,	" 3.......	93.63	97.63	81.65	80.92	345,100	152
Monday,	" 5.......	95.04	97.76	82.61	81.13	809,700	206
Tuesday,	" 6.......	95.30	97.38	83.05	81.97	954,900	206
Wednesday,	" 7.......	95.30	97.06	82.96	81.90	845,400	205
Thursday,	" 8.......	95.28	96.83	82.60	81.86	522,200	204
Friday,	" 9.......	96.96	97.40	83.26	82.10	786,200	213
Saturday,	" 10.......	96.78	97.30	83.70	82.96	541,100	182

Different

"WHAT'S the matter with you? Only a while ago you said it would be a good thing if the railroads cut down expenses."

"But I didn't know then," replied the stockholder, "that they'd do it by cutting down the dividends."—*The Lamb*

Cotton Export Situation Vital

By CHARLES F. OLIVER

THE big feature in relation to cotton today is the armed ship. If the arming of merchantmen reopens the channels of commerce there will be a pronounced increase in exports. If it brings war there should be a decided spur to local demand for cotton goods for army purposes.

But for the decision of the President it is likely the cotton market would have had a season of the doldrums. From the low of February there had been an advance of 548 points. On the way up from the low, American spinners, who had been hesitant about buying when cotton was in the neighborhood of 20 cents, rushed in to get all the cheap staple to cover their needs for the near future. Speculators followed suit and there was more buoyancy to trading than in months. The more than 500-point rise, however, made spinner and speculator hesitate, and the disposition was to let the market alone. This seemed the part of wisdom in view of the tangled situation politically.

Exports are negligible. The British are the only buyers. Shipments to the Mediterranean are next to impossible. The U-boat is more of a terror there perhaps than in the British waters. Insurance rates to Italy and French Mediterranean ports are in the clouds and tonnage is hard to charter, and then at a price undreamt of until these stirring times.

The British continue taking a fair amount of cotton and, considering their embarrassments, make a remarkable showing in their exports of textiles. They actually have recaptured most of the cotton trade which drifted to American manufacturers, owing to the war. Their increases in cotton goods exports in January, 1917, as against January, 1915, range from 1,000 per cent. in foreign East Africa to more than 400 per cent. in the Argentine. Where Great Britain has come into competition with the United States, the British show their largest gains, whereas when the British meet Japanese competition the British show losses. In every country governed by the United States or over which the United States has a protectorate, Great Britain has increased its business. In every South and Central American country Great Britain has made very large gains.

There is an explanation for this which does not show on the surface. The British government, in its trade control, has endeavored to have cotton spinners fill all government orders first, then sell every pound of stuff possible in foreign lands and pay no attention to British home needs until the first two orders are carried out. In this way the British stiffen their financial position, getting money from abroad for their products and building consumption in their own territory.

Just the same the showing is not creditable to the American spinner, but the American spinner never has shown an aptitude or an ardent desire for foreign trade. Today his business is excellent on the surface, his profits are immense, but there are indications of a halting in orders and some rumors of overstocking of shelves. War and the excitements of war would strip the shelves of surplus.

Next to the armed ship decision the

conditions as to the new crop will affect values. So far the outlook is not promising. The weather has been unpropitious in the territory east of the Mississippi, there being too much rain and the mercury being too low. In Texas there have been good rains in the northern counties and too little in the southern. It is a bit early for planting, except in southern Texas, but no one who is a student of cotton sees any possibility of a big crop. The fertilizer question still controls. Without ample fertilization there cannot be a full growth east of the Mississippi. With all our efforts we have not been able to produce potash in quantity.

Aside from fertilizer the labor problem is no easier in the South. The best information is that 147,000 negroes were drawn from Mississippi, Alabama, Georgia and the Carolinas to work on railroads or in munition plants of the North last year. Some of them may have returned, but not many. The city has a great lure for the black brother. The increase in the negro population in New York in the last year is said to be record breaking. The negro hegira may cut 100,000 or 200,000 bales of cotton or more from the next crop.

The one factor tending to crop improvement is the probable check to weevil ravages. There were freezing temperatures throughout the belt east of the river and if it is true that the boll weevil dies with excessive cold, this should be of immense benefit to the new crop. But from Alabama come reports of frozen weevil thawing out when put near a fire and showing every evidence of hunger and predatory desire as soon as they get the ice out of their system.

Taking a broad view of the market it would seem that cotton is more likely to improve in value than decline. It is on a pretty high level if judged from the standards of former years, but so is practically every great commodity and nothing other than food is in greater demand than cotton and disappears faster. The stocks of the world are small and the prospects of replenishment none too good.

Per Capita Wheat Consumption Decreasing

By P. S. KRECKER

WITH publication of the government report as of March 1, showing the extent of farm reserves of wheat and the amount in country mills and elevator, all of the bullish news on the old crop is out. It is difficult to conceive of anything new yet to come upon which to predicate a bull campaign in old crop positions. The attitude of the United States is now known to be one of protection of its ocean trade, even to the extent of armed convoy if necessary. We know that farm reserves of wheat on March 1 were virtually the smallest on record, with a total of only 101,365,000 bushels, or 15.8 per cent of the crop. The five-year average of wheat reserves is 164,987,000 bushels. Country elevator and mill stocks also are unusually small, with a total of only 89,614,000 bushels. All of these developments are bullish, and all have been discounted in the recent rise of the market. It is fairly to be questioned whether they have not been amply discounted and whether any further rise is to be expected, based on these old crop facts, and it may be presumed that the next bull campaign must be based on the new crop.

Turning to the new crop positions in the wheat market, it is found that these already have done much to discount past or prospective damage to winter wheat. The price of the July option in Chicago is, at present writing, about 38 cents higher than it was a year ago. Such a relative advance is sufficiently large to cause hesitation on the part of prospective buyers. It must be remembered that the area planted to winter wheat is esti-

mated by the government to have been 40,090,000 acres, against 39,203,000 last year, and that the indicated yield, allowing for average loss in condition and average abandonment of acreage, is 578,000,000 bushels, compared with 481,744,000 bushels last year. Recent reports to the Department of Agriculture show that the total acreage under cultivation in the United States has reached a new high record figure. Department experts already are predicting bumper crops of all kinds. It is reasonable to look for huge crops, because the high prices of all foodstuffs, including wheat, are, in themselves, the strongest kind of an incentive to produce as much as the soil will yield. What is true of the United States must be equally true of Canada, which can be depended upon to plant a bumper crop.

Analysis of the government report as of March 1 shows that the high price of wheat caused a reduction of approximately 8 per cent in the per capita consumption of that cereal in the United States this season. The figures are interesting and instructive. Total supplies of wheat, including carry-over from the previous season, were 809,000,000 bushels. Farm reserves on March 1 were 101,365,000 bushels, and the visible supply totaled 44,916,000 bushels, making the combined visible and invisible supply of wheat in the country on that date 146,281,000 bushels. Deducting that total from the original supply would leave 662,719,000 bushels to represent the total disappearance of wheat in this country for the first eight months of the season. This, of course, includes exports. Last season the aggregate supply was 1,082,000,000 bushels, farm reserves as of March 1 were 244,448,000 bushels and visible at the end of the eight months was 63,556,000 bushels. Deducting these visible and invisible supplies of 308,000,000 from the grand total supply left 774,000,000 bushels as the apparent disappearance through domestice and export channels for the first eight months of last season. Apparently, therefore, 111,000,000 less bushels—the difference between the disappearance last year of 774,000,000 bushels and the disappearance this year of 663,000,000 bushels—have been consumed this year than last.

However, country elevator and mill stocks last season were 155,027,000 bushels on March 1, while this year they were only 89,614,000 bushels, a difference of 65,000,000 bushels, which must be deducted from the apparent excess of disappearance last season of 111,000,000 bushels. Moreover, exports this season to March 1 have been approximately 21,000,000 bushels smaller than they were for the coresponding period of last year, an item which also accounts for part of the huge discrepancy between consumption of wheat last season and so far this season. The total allowances, therefore, are approximately 86,000,000 bushels. But, even after making these allowances, the disappearance of wheat into consumptive channels last season was 25,000,000 bushels larger than it was for the corresponding eight months of the present season, and that 25,000,000 bushels, then, represents the actual curtailment in domestic consumption of wheat for the first eight months of the present season. Maintained at the same rate for the remainder of the season, the reduction in domestic consumption of wheat, due to the high price, will reach 37,000,000 bushels.

The per capita consumption of wheat in the United States is estimated by the Department of Agriculture at 5.3 bushels. Figuring population at 101,000,000, the average reduction in consumption of wheat per capita so far this season has been at the rate of 0.36 of a bushel, which would reduce the per capita average this season from 5.3 bushels to approximately 4.9 bushels. This reduction has been accomplished without resort to any of the methods adopted by the belligerent countries to cut down the consumption of wheat. British and French governments have decreed that not more than 85 per cent of wheat shall be used in the milling of flour. Corn, rye or other grains make up the other 15 per cent. Moreover, wheat is made to stretch further also because of government decree requiring larger extraction of flour from the grain than formerly, resulting in utilization of some bran as well as heart of the wheat. Were prices of wheat to soar further, it would be quite possible that somewhat similar steps would be taken voluntarily in this country to reduce the wheat needs.

Book Reviews

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Particular emphasis is placed on the fact that there are never more than two numbers to add for ordinary transactions. One of these numbers is never larger than three digits and as both appear on the same page, it is an easy matter to add them mentally.

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